

CPI INTERNATIONAL, INC.
Form PREM14A
December 15, 2010

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

SCHEDULE 14A

(Rule 14a-101)

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

CPI INTERNATIONAL, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
Common Stock, par value \$0.01, of CPI International, Inc. ("Common Stock")
- (2)

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Aggregate number of securities to which transaction applies:

16,823,366 shares of Common Stock (including restricted stock), 210,925 restricted stock units and options to purchase 3,359,267 shares of Common Stock

- (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):

The maximum aggregate value was determined based on the sum of: (a) 16,823,366 shares of Common Stock (including shares of restricted stock) multiplied by \$19.50 per share, (b) 210,925 restricted stock units multiplied by \$19.50 per unit and (c) 3,359,267 shares of Common Stock underlying outstanding options with exercise prices less than \$19.50 per share multiplied by \$12.844 (which is the difference between \$19.50 per share and the weighted average exercise price per share of such options). The filing fee was determined by multiplying \$0.00007130 by the maximum aggregate value of the transaction as determined in accordance with the preceding sentence.

- (4) Proposed maximum aggregate value of transaction:

\$375,315,099.85

- (5) Total fee paid:

\$26,760

- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:

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

- (3) Filing Party:

- (4) Date Filed:
-

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PRELIMINARY COPIES SUBJECT TO COMPLETION, DATED DECEMBER 15, 2010

MERGER PROPOSAL YOUR VOTE IS VERY IMPORTANT

[], 2010

Dear CPI International, Inc. Stockholder:

You are cordially invited to attend our upcoming special meeting of stockholders of CPI International, Inc., which is referred to as CPI, to be held on [], 2011 at [] a.m., local time, at []. As announced on [], 2010, CPI, Catalyst Holdings, Inc., which is referred to as Parent, and Catalyst Acquisition, Inc., a wholly owned subsidiary of Parent, entered into an agreement and plan of merger, dated November 24, 2010, which provides for a merger in which CPI will become a wholly-owned subsidiary of Parent. Parent is an affiliate of Veritas Capital, a leading private equity firm focused on the defense and government services sector. The CPI board of directors has determined, by unanimous vote of all directors acting upon the matter, that the merger and the merger agreement are advisable and in the best interests of CPI and its stockholders and has approved the merger agreement and the merger.

If the merger is completed, each outstanding share of CPI common stock will be converted into the right to receive \$19.50 in cash, without interest.

The common stock of CPI is traded on the NASDAQ Global Select Market under the symbol "CPII."

CPI is holding the special meeting of stockholders to obtain your vote to adopt the merger agreement. Your vote is important. The merger cannot be completed unless the holders of a majority of the shares of CPI common stock outstanding and entitled to vote thereon affirmatively vote for the adoption of the merger agreement at the special meeting. As described in the accompanying proxy statement, Cypress Associates II LLC and certain of its affiliates have entered into a voting agreement under which, subject to limited exceptions, they have agreed to vote shares representing 49.9% of the outstanding shares of CPI common stock as of the record date for the special meeting in favor of the adoption of the merger agreement.

The CPI board of directors recommends that CPI stockholders vote "FOR" the adoption of the merger agreement.

On behalf of the CPI board of directors, you are invited to attend the special meeting. Whether or not you expect to attend the CPI special meeting in person, you are urged to submit your proxy as promptly as possible through one of the delivery methods described in the accompanying proxy statement. In addition, you are urged to read carefully the accompanying proxy statement (including the annexes thereto), which includes important information about the merger agreement, the proposed merger and the special meeting.

On behalf of the CPI board of directors, thank you for your continued support.

Sincerely,

Michael Targoff
Chairman of the Board of Directors

O. Joe Caldarelli
Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the merger, passed upon the merits or fairness of the merger agreement or the transactions contemplated thereby, including the proposed merger, or determined that the accompanying proxy statement is accurate or complete. Any representation to the contrary is a criminal offense.

The accompanying proxy statement is dated [], 2010 and is first being mailed to the stockholders of CPI on or about [], 2010.

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811 Hansen Way
Palo Alto, California 94303

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To the Stockholders of CPI International, Inc.:

Notice is hereby given that a special meeting of stockholders of CPI International, Inc., a Delaware corporation, which is referred to as CPI, will be held on [], 2011 at [] a.m., local time, at [], solely for the following purposes:

To consider and vote on a proposal to adopt the Agreement and Plan of Merger, which we refer to as the merger agreement, dated as of November 24, 2010 (as it may be amended from time to time), among Catalyst Holdings, Inc. which is referred to as Parent, Catalyst Acquisition, Inc., a wholly-owned subsidiary of Parent, and CPI. A copy of the merger agreement is attached as Annex A to the proxy statement accompanying this notice; and

To approve the adjournment of the CPI special meeting if necessary to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting.

These items of business, including the merger agreement and the proposed merger, are described in detail in the accompanying proxy statement. **The CPI board of directors has determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable and in the best interests of CPI and its stockholders and recommends that CPI stockholders vote "FOR" the proposal to adopt the merger agreement and "FOR" the adjournment of the CPI special meeting if necessary to solicit additional proxies in favor of such adoption.**

Only stockholders of record as of the close of business on [], 2010 are entitled to notice of the CPI special meeting and to vote at the CPI special meeting or at any adjournment thereof. A list of stockholders entitled to vote at the special meeting will be available in CPI's offices located at 811 Hansen Way, Palo Alto, California 94303, during regular business hours for a period of no less than 10 days before the special meeting, as well as at the place of the special meeting during the meeting.

Adoption of the merger agreement by the CPI stockholders is a condition to the merger and requires the affirmative vote of holders of a majority of the shares of CPI common stock outstanding and entitled to vote thereon. Therefore, your vote is very important. **Your failure to vote your shares will have the same effect as a vote "AGAINST" the adoption of the merger agreement.**

By order of the board of directors,

Joel Littman
Corporate Secretary

Palo Alto, California
[], 2010

YOUR VOTE IS IMPORTANT!

WHETHER OR NOT YOU EXPECT TO ATTEND THE CPI SPECIAL MEETING IN PERSON, WE URGE YOU TO SUBMIT YOUR PROXY AS PROMPTLY AS POSSIBLE (I) THROUGH THE INTERNET, (II) BY TELEPHONE OR (III) BY MARKING, SIGNING AND DATING THE

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ENCLOSED PROXY CARD AND RETURNING IT IN THE POSTAGE-PAID ENVELOPE PROVIDED. You may revoke your proxy or change your vote at any time before the CPI special meeting. If your shares are held in the name of a bank, broker or other fiduciary, please follow the instructions on the voting instruction card furnished to you by such record holder.

You are urged to read the accompanying proxy statement and its annexes carefully and in their entirety. If you have any questions concerning the merger, the special meeting or the accompanying proxy statement, would like additional copies of the accompanying proxy statement or need help voting your shares of CPI common stock, please contact CPI Investor Relations at:

CPI International, Inc.
811 Hansen Way
Palo Alto, California 94303
Attention: Investor Relations
Telephone: (650) 846-2900

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SUMMARY

This summary highlights selected information from this proxy statement. It may not contain all of the information that is important to you. Moreover, this summary is qualified in its entirety by reference to the more detailed information contained elsewhere in this proxy statement including the annexes attached hereto. You are urged to read carefully this entire proxy statement and the other documents referred to in this proxy statement in order to fully understand the merger agreement, the voting agreement and the merger. See "Where You Can Find More Information" beginning on page [] of this proxy statement. Each item in this summary refers to the page of this proxy statement on which that subject is discussed in more detail.

Information about Catalyst Holdings, Inc., Catalyst Acquisition, Inc. and CPI International, Inc. (See Page [])

Catalyst Holdings, Inc.

Catalyst Holdings, Inc. which is referred to in this proxy statement as Parent, was formed solely for the purpose of entering into the merger agreement and completing the transactions contemplated by the merger agreement and the related financing transactions. Parent has not conducted any unrelated activities since its organization. Parent is an affiliate of The Veritas Capital Fund IV, L.P (which is referred to as the Veritas Fund), a fund managed by Veritas Capital. Founded in 1992 and headquartered in New York, Veritas Capital is a private equity investment firm that invests in companies that provide critical products and services to governments worldwide, with a focus on the defense and government services sector. Since its founding, Veritas Capital has been involved as the lead investor in transactions totaling more than \$8 billion in value.

The principal executive offices of Parent, the Veritas Fund and Veritas Capital are located at c/o Veritas Capital Fund Management, L.L.C., 590 Madison Avenue, New York, NY 10022; their telephone number is (212) 415-6700; and Veritas Capital's Web site address is www.veritascapital.com.

Catalyst Acquisition, Inc.

Catalyst Acquisition, Inc., referred to in this proxy statement as Merger Sub, is a Delaware corporation and a wholly-owned subsidiary of Parent. Merger Sub was formed solely for the purpose of facilitating the acquisition of CPI. Merger Sub has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the merger. Upon completion of the merger, the separate corporate existence of Merger Sub will cease, and CPI will continue as the surviving company.

The principal executive offices of Merger Sub are located at c/o Veritas Capital Fund Management, L.L.C., 590 Madison Avenue, New York, NY 10022, and Merger Sub's telephone number is (212) 415-6700.

CPI International, Inc.

CPI International, Inc., which is referred to in this proxy statement as CPI, is the parent company of Communications & Power Industries, Inc., a leading provider of microwave, radio frequency, power and control solutions for critical defense, communications, medical, scientific and other applications. Communications & Power Industries, Inc. develops, manufactures and distributes products used to generate, amplify, transmit and receive high-power/high-frequency microwave and radio frequency signals and/or provide power and control for various applications. End-use applications of these systems include the transmission of radar signals for navigation and location; transmission of deception signals for electronic countermeasures; transmission and amplification of voice, data and video signals for broadcasting, Internet and other types of commercial and military communications; providing power and control for medical diagnostic imaging; and generating microwave energy for radiation therapy in the treatment of cancer and for various industrial and scientific applications.

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The principal trading market for CPI's common stock (NASDAQGS: CPII) is the NASDAQ Global Select Market.

The principal executive offices of CPI are located at 811 Hansen Way, Palo Alto, California 94303; its telephone number is (650) 846-2900; and CPI's Web site address is www.cpii.com.

The Merger (See Page [])

Parent, Merger Sub and CPI have entered into the Agreement and Plan of Merger, dated as of November 24, 2010, which, as it may be amended from time to time, is referred to in this proxy statement as the merger agreement. Subject to the terms and conditions of the merger agreement and in accordance with Delaware law, Merger Sub will be merged with and into CPI, with CPI continuing as the surviving corporation. Upon completion of this transaction, which is referred to in this proxy statement as the merger, CPI will be a wholly-owned subsidiary of Parent, and CPI common stock will no longer be outstanding or publicly traded.

A copy of the merger agreement is attached as Annex A to this proxy statement. You should read the merger agreement carefully because it is the legal document that governs the merger.

Special Meeting of CPI Stockholders (See Page [])

Meeting

The special meeting will be held at [], on [], 2011 at [] a.m., local time. At the special meeting, CPI stockholders will be asked to vote on the following proposals:

to adopt the merger agreement; and

to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting.

Record Date

Only CPI stockholders of record at the close of business on [], 2010 will be entitled to receive notice of and to vote at the special meeting or any adjournment of the special meeting. As of the close of business on the record date of [], 2010, there were [] shares of CPI common stock outstanding and entitled to vote at the special meeting. Each holder of CPI common stock is entitled to one vote for each share of CPI common stock owned as of the record date.

Required Vote

To adopt the merger agreement, holders of a majority of the shares of CPI common stock outstanding and entitled to vote on the proposal must vote in favor of adoption of the merger agreement. **CPI cannot complete the merger unless its stockholders adopt the merger agreement.** Because approval is based on the affirmative vote of a majority of the outstanding shares of CPI common stock entitled to vote thereon, **a CPI stockholder's failure to vote, an abstention from voting or the failure of a CPI stockholder who holds his or her shares in "street name" through a broker or other nominee to give voting instructions to such broker or other nominee will have the same effect as a vote "AGAINST" adoption of the merger agreement.**

If there are not sufficient votes to adopt the merger agreement at the time of the special meeting, a majority of the voting power present in person or by proxy (whether or not a quorum is present) may adjourn the meeting to another time and place in order to solicit additional proxies. Abstentions will have the same effect as a vote "AGAINST" the proposal to adjourn the special meeting. Shares not in attendance at the special meeting and broker non-votes will have no effect on the outcome of any vote to adjourn the special meeting.

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See " The Voting Agreement" below for information regarding CPI stockholders who have committed to vote shares of CPI common stock in favor of the two proposals described above, subject to certain exceptions.

Stock Ownership of and Voting by CPI's Directors and Executive Officers

At the close of business on December 10, 2010, CPI's directors and executive officers, as a group, beneficially owned 2,773,910 shares of CPI common stock (excluding shares held by the Cypress Group stockholders of which Jeffrey Hughes, one of CPI's directors, may be deemed to have beneficial ownership by virtue of his position as a managing member of Cypress Associates II LLC), and have the right to vote 402,101 of those shares at the special meeting, which represents approximately 2.4% of the shares of CPI common stock entitled to vote at the special meeting.

Except with respect to the shares held by entities affiliated with Mr. Hughes, none of the directors or executive officers of CPI has entered into any agreement requiring them to vote for or against the merger proposal. See " The Voting Agreement" below for information regarding CPI stockholders who have committed to vote shares of CPI common stock in favor of the two proposals described above.

What CPI Stockholders Will Receive in the Merger (See Page [])

If the merger is completed, each share of CPI common stock will be cancelled and converted automatically into the right to receive \$19.50 in cash, which we refer to as the merger consideration in this proxy statement.

Treatment of Equity Awards (See Page [])

Except as provided below, each option to purchase shares of CPI common stock that was granted under CPI's equity compensation plans and is outstanding immediately prior to the closing shall become vested and will be canceled at (or shortly following) the closing in exchange for cash, equal to the excess, if any, of (i) \$19.50, reduced by (ii) the per-share exercise price of such option.

Except as provided below, each restricted stock award and restricted stock unit granted under CPI's equity compensation plans outstanding immediately prior to the closing will be canceled at the closing in exchange for a payment, in cash, equal to \$19.50.

With respect to grants of options to purchase CPI common stock, CPI restricted stock and CPI restricted stock units made after the date of the merger agreement, only 25% of such options, restricted stock and restricted stock units will be treated as described above and the remaining 75% of such options, restricted stock and restricted stock units shall be cancelled at closing for no consideration.

Recommendation of the CPI Board of Directors (See Page [])

The CPI board of directors has, by unanimous vote of all directors who acted upon the matter, determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and in the best interests of CPI and its stockholders. One of CPI's directors, Michael Finley, recused himself from discussions and voting upon the merger agreement due to a potential conflict of interest. See "The Merger Background of the Merger" for a discussion regarding Mr. Finley's recusal. Accordingly, CPI's board of directors (other than Mr. Finley) unanimously recommends that you vote "FOR" the adoption of the agreement and "FOR" the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting.

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Opinion of J.P. Morgan Securities LLC (See Page [])

In connection with the merger, CPI's financial advisor, J.P. Morgan Securities LLC, referred to as J.P. Morgan in this proxy statement, delivered its oral opinion, confirmed in writing, to the CPI board of directors as to the fairness, from a financial point of view, as of the date of such opinion, and based upon and subject to the various factors, assumptions and limitations set forth in such written opinion, of the per share merger consideration to be paid to the holders of CPI common stock in the merger.

The full text of the written opinion of J.P. Morgan, dated November 24, 2010, which sets forth, among other things, the assumptions made, procedures followed, matters considered and any limitations on the review undertaken in rendering its opinion, is attached as Annex D. The summary of J.P. Morgan's opinion set forth in this document is qualified in its entirety by reference to the full text of the opinion. Stockholders should read this opinion carefully and in its entirety. J.P. Morgan's opinion is directed to the board of directors of CPI (in its capacity as such), addresses only the fairness, from a financial point of view, of the consideration to be paid to the holders of common stock of CPI in the merger, and does not address any other aspect of the merger. The issuance of the J.P. Morgan opinion was approved by a fairness opinion committee of J.P. Morgan. J.P. Morgan provided its advisory services and opinion for the information and assistance of the board of directors of CPI in connection with its consideration of the merger. The opinion of J.P. Morgan does not constitute a recommendation as to how any stockholder should vote with respect to the merger or any other matter. In addition, the J.P. Morgan opinion does not in any manner address the prices at which CPI's common stock will trade following the date of the opinion.

Opinion of Moelis & Company LLC (See Page [])

In connection with the merger, and pursuant to a letter agreement dated April 7, 2010, CPI engaged Moelis & Company LLC, referred to as Moelis in this proxy statement, to act as financial advisor to the special committee of CPI's board of directors. Moelis delivered its oral opinion directed to the special committee, subsequently confirmed by delivery of a written opinion dated November 24, 2010 as to the fairness, from a financial point of view, as of the date of such opinion, and based upon and subject to the various factors, assumptions, limitations and qualifications set forth in such opinion, of the \$19.50 in cash per CPI share to be received by CPI's stockholders (other than the Cypress Group and its affiliates, Merger Sub or any other wholly-owned subsidiary of Parent) in the merger.

The full text of the written opinion of Moelis to the special committee, dated November 24, 2010, which sets forth, among other things, the assumptions made, procedures followed, matters considered and any limitations on the review undertaken in rendering its opinion, is attached as Annex E. The summary of Moelis' opinion set forth in this document is qualified in its entirety by reference to the full text of the opinion. Stockholders should read this opinion carefully and in its entirety. The opinion of Moelis is directed to the special committee of the CPI board of directors, and addresses only the fairness, from a financial point of view, of the \$19.50 in cash per CPI share to be received by CPI's stockholders (other than the Cypress Group and its affiliates, Merger Sub or any other wholly-owned subsidiary of Parent) in the merger, and does not address any other aspect of the merger. The Moelis' opinion does not constitute a recommendation as to how any stockholder should vote with respect to the merger or any other matter.

Financing of the Merger (See Page [])

CPI anticipates that the total funds needed to complete the merger, including the funds needed to:

pay its stockholders (and holders of its options, restricted stock and restricted stock units) the amounts due to them under the merger agreement;

repay or refinance certain existing indebtedness of CPI;

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pay related fees and expenses (including original issue discount and costs related to the retirement of certain existing indebtedness) in connection with the transactions contemplated by the merger agreement; and

pay accrued interest,

will be approximately \$575 million. We expect this amount to be funded through a combination of:

equity financing of up to \$220 million to be provided by the Veritas Fund;

borrowings under senior secured credit facilities comprised of a term loan facility of \$148 million and a revolving credit facility of up to \$30 million; and

the issuance of \$215 million in senior unsecured notes (or, to the extent those notes are not issued at or prior to closing of the merger, a \$215 million senior unsecured bridge loan facility).

Parent has obtained the equity and debt financing commitments described below. The funding under those commitments is subject to conditions, including conditions that do not relate directly to the merger agreement. CPI believes the committed amounts will be sufficient to complete the merger, but CPI cannot assure you of that. Those amounts might be insufficient if, among other things, Parent has substantially less net proceeds from the equity and debt financings than CPI currently expects. Although obtaining the equity or debt financing is not a condition to the completion of the merger, the failure of Parent and Merger Sub to obtain sufficient financing is likely to result in the failure of the merger to be completed. In that case, Parent may be obligated to pay a fee of \$22.5 million or, if CPI establishes in accordance with the merger agreement that Parent or Merger Sub has committed a willful breach of the merger agreement, a fee of \$27.5 million to CPI, in each case, as described under "The Merger Agreement Termination of the Merger Agreement Termination Fee Payable by Parent." That obligation is guaranteed by the Veritas Fund. See " Limited Guarantee" beginning on page [] of this proxy statement.

Equity Financing (See Page [])

Parent has received an equity commitment letter from the Veritas Fund pursuant to which the Veritas Fund has committed to invest up to \$220 million, plus certain additional amounts and upfront fees related to the debt financing, solely for the purpose of purchasing equity securities of Parent in order to provide Parent with a portion of the financing required for the merger and the transactions contemplated by the merger agreement, including the fees and expenses related thereto. The financing contemplated by the equity commitment letter, as may be amended, is referred to as the equity financing.

The funding of the equity financing is subject to the satisfaction or waiver of the conditions to Parent's and Merger Sub's obligations contained in the merger agreement and the substantially concurrent consummation and funding in full of the debt financing (or any alternative financing) described below. Pursuant to the terms of the merger agreement, CPI may seek specific performance to cause Parent and Merger Sub to cause the equity financing to be funded, subject to the satisfaction of certain conditions. The Veritas Fund may assign its rights and obligations under the equity commitment letter without CPI's consent under certain circumstances, but assignment does not relieve the Veritas Fund of its obligations pursuant to the equity commitment letter.

Debt Financing (See Page [])

In connection with the entry into the merger agreement, Parent and Merger Sub received the debt commitment letter, dated November 24, 2010, which is referred to as the debt commitment letter, from UBS Loan Finance LLC and UBS Securities LLC, which are referred to collectively as the Commitment Parties, providing for (a) borrowings under senior secured credit facilities (comprised of a

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term loan facility of \$148 million and a revolving credit facility of up to \$30 million) and (b) \$215 million in senior unsecured bridge loans. The obligations of the Commitment Parties to provide debt financing under the debt commitment letter are subject to a number of conditions, including that the merger and the other transactions shall be consummated concurrently with the initial funding, which are further described under the section entitled "The Merger Financing of the Merger." The final termination date for the debt commitment letter is the same as under the merger agreement.

Limited Guarantee (See Page [])

Concurrently with the execution of the merger agreement, the Veritas Fund executed and delivered the limited guarantee in favor of CPI, which is referred to as the limited guarantee, pursuant to which the Veritas Fund has agreed to guarantee (i) the obligations of Parent under the merger agreement to pay to CPI the parent termination fee as defined therein (See also "The Merger Agreement Termination of the Merger Agreement Termination Fee Payable by Parent" beginning on page [] of this proxy statement) and (ii) certain of CPI's expenses related to its efforts to assist Parent in obtaining the debt financing.

Pursuant to the limited guarantee, in no event will the Veritas Fund be required to pay an amount in the aggregate in excess of \$27.5 million, which is referred to as the cap, to any person pursuant to, under, or in respect of the limited guarantee.

Interests of Certain Persons in the Merger (See Page [])

In considering the recommendation of the CPI board of directors with respect to the merger agreement, CPI stockholders should be aware that the executive officers of CPI and certain members of the CPI board of directors have interests in the transactions contemplated by the merger agreement that are different from, or in addition to, the interests of CPI stockholders generally. These interests include certain CPI executive officers being entitled to receive payments in exchange for the cancellation of their equity awards and specified severance and other benefits on termination of their employment following the effective time of the merger. The CPI board of directors was aware of these interests and considered them, among other matters, in evaluating and negotiating the merger agreement and the merger and in recommending that CPI stockholders adopt the merger agreement.

Delisting and Deregistration of CPI Common Stock (See Page [])

If the merger is completed, CPI shares will no longer be listed on the NASDAQ Global Select Market, and will be deregistered under the Securities Exchange Act of 1934, as amended, which is referred to in this proxy statement as the Exchange Act.

Appraisal Rights Available (See Page [])

Under Delaware law, record holders of CPI common stock who do not vote in favor of the adoption of the merger agreement and who otherwise comply with the procedures for exercising appraisal rights under Delaware law will be entitled to seek appraisal in connection with the merger, and if the merger is completed, obtain payment in cash of the fair value of their shares of common stock as determined by the Delaware Chancery Court, instead of the merger consideration. To exercise your appraisal rights, you must strictly follow the procedures described by Delaware law. Due to the complexity of these procedures, CPI stockholders who are considering exercising such rights are encouraged to seek the advice of legal counsel. These procedures are summarized under the heading, "The Merger Appraisal Rights," beginning on page [] of this proxy statement. In addition, the text of the applicable provisions of Delaware law is included as Annex C to this proxy statement. Failure to strictly comply with these provisions will result in loss of the right of appraisal.

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Completion of the Merger Is Subject to Certain Conditions (See Page [])

The obligation of each of Parent, CPI and Merger Sub to complete the merger is subject to the satisfaction, at or prior to the effective time of the merger, of a number of conditions, including the following:

adoption of the merger agreement by holders of a majority of the outstanding shares of CPI common stock in accordance with applicable law, the amended and restated certificate of incorporation of CPI and the amended and restated bylaws of CPI;

absence of any law, notice, injunction or other order of a court or governmental entity of competent jurisdiction preventing completion of the merger;

(i) expiration or termination of any applicable waiting period (or extensions thereof) relating to the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which is referred to in this proxy statement as the HSR Act, and (ii) expiration or termination of any applicable waiting periods, or receipt of all consents required under any other applicable competition laws;

accuracy of the representations and warranties made in the merger agreement by the other party, subject to certain materiality thresholds;

performance and compliance in all material respects by the other party of the obligations required to be performed by it or complied with at or prior to the effective time of the merger; and

absence of a material adverse effect on the other party since the date of the merger agreement (see "The Merger Agreement Definition of 'Material Adverse Effect'" beginning on page [] of this proxy statement for the definition of material adverse effect).

In addition, the obligations of Parent and Merger Sub to complete the merger are subject to the satisfaction of the following condition:

the absence of any pending action or proceeding of any kind by any governmental entity that (i) challenges or seeks to make illegal, delay materially or otherwise directly or indirectly prohibit the completion of the merger, (ii) seeks to prohibit Parent's or Merger Sub's ability effectively to exercise full rights of ownership of CPI's common stock following the completion of the merger or (iii) seeks to compel Parent, CPI or any of their respective subsidiaries to submit to any burdensome condition described under "The Merger Agreement Covenants and Agreements Efforts to Complete Transactions" beginning on page [] of this proxy statement.

Parent and CPI cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

The Merger May Not Be Completed Without All Required Regulatory Approvals (See Page [])

Completion of the merger is conditioned upon the receipt of certain governmental clearances or approvals, including, but not limited to, the expiration or termination of the applicable waiting period relating to the merger under the HSR Act.

Parent and CPI have agreed to use their reasonable best efforts to obtain all regulatory approvals required to consummate the merger. However, in using its reasonable best efforts to obtain these required regulatory approvals, (A) Parent and its affiliates will not be required to license, sell or dispose of any assets of Parent or its affiliates or submit to any limitation on the conduct of the business of Parent or its affiliates, (B) CPI, its subsidiaries, Parent and its affiliates will not be required to take any action that would limit Parent's ability to hold or exercise full rights of ownership and

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control of CPI and its subsidiaries after the closing of the merger and (C) CPI and its subsidiaries will not be required to license, sell or dispose of any assets, or submit to any limitation on the conduct of the business of CPI or its subsidiaries that, in the case of this subclause (C), individually or in the aggregate constitutes or would constitute a material adverse effect on CPI.

CPI and Parent (and, as applicable, its ultimate parent entities) have filed their required notification forms under the HSR Act and competition laws in other applicable jurisdictions with respect to the merger and the various governmental reviews are underway.

No Solicitation of Transactions by CPI (See Page [])

CPI will not nor will it permit any of its subsidiaries to, nor will it authorize or knowingly permit any of its or any of its subsidiaries' officers, directors, employees or representatives to (i) solicit, initiate or otherwise knowingly facilitate or encourage the submission of any acquisition proposal (as defined under "The Merger Agreement Covenants and Agreements No Solicitation of Transactions by CPI" beginning on page [] of this proxy statement), (ii) participate in any discussions or negotiations regarding any acquisition proposal or furnish to any person any non-public information with respect to or access to the properties of CPI in connection with an acquisition proposal, (iii) enter into any agreement or other understanding with respect to any acquisition proposal or enter into any agreement requiring CPI to terminate or otherwise fail to consummate the merger or (iv) fail to make, or withdraw or modify in a manner adverse to Parent, the recommendation of the CPI board of directors in favor of the adoption of the merger agreement. However, CPI may make a written request to any third party that such third party's non-written acquisition proposal be submitted in writing. Notwithstanding these restrictions, however, the merger agreement provides that, under specified circumstances and subject to certain notice requirements at any time prior to the adoption of the merger agreement by CPI stockholders:

CPI may, in response to an unsolicited bona fide written acquisition proposal from a third party that the CPI board of directors or a committee thereof determines constitutes, or would reasonably be expected to lead to, a superior acquisition proposal (as defined under "The Merger Agreement Covenants and Agreements No Solicitation of Transactions by CPI" beginning on page [] of this proxy statement), directly or through its representatives, participate in negotiations or discussions with such party and furnish non-public information to such third party pursuant to a confidentiality agreement no less restrictive than those in the confidentiality agreement between Parent and CPI (provided that all such information is or has been provided or made available to Parent).

The CPI board of directors or any committee thereof may fail to make, or withdraw or modify in a manner adverse to Parent, its recommendation in favor of the adoption of the merger agreement or may approve, recommend or endorse an unsolicited acquisition proposal, in each case either (i) following receipt of an unsolicited acquisition proposal made after the date of the merger agreement that CPI's board of directors or a committee thereof determines constitutes a superior acquisition proposal or (ii) in response to a material event, development, circumstance, occurrence or change in circumstances or facts not related to a competing acquisition proposal that was not known to CPI's board of directors or a committee thereof on the date of the merger agreement (or if known, the magnitude or material consequences of which were not known or understood as of that date).

Notwithstanding the two bullet points above, the CPI board of directors or a committee thereof may not change its recommendation or approve an unsolicited acquisition proposal unless CPI notifies Parent of its intention to do so (together with a copy of the agreement for any proposed acquisition proposal) at least three business days prior to taking such action and Parent does not, within three business days of receipt of such notice, make an offer that the CPI board of directors or a committee

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thereof determines, in good faith, after consultation with its outside financial and legal advisors, is at least as favorable to CPI stockholders as the acquisition proposal (if the intended recommendation change relates to an acquisition proposal) or that would obviate the need for the recommendation change (if the intended recommendation change relates to any other event). Furthermore, the actions described in the preceding two bullet points may be taken only if the CPI board of directors or a committee thereof determines in good faith, after consultation with its outside legal advisors, that failure to take such action would be reasonably likely to constitute a violation of its fiduciary duties under Delaware law. See "The Merger Background of the Merger" and "The Merger CPI's Reasons for the Merger; Recommendation of the CPI Board of Directors" beginning on pages [] and [], respectively, of this proxy statement.

CPI's board of directors also may respond to any tender offer that may be made in order to comply with the requirements of Rule 14e-2 or Rule 14d-9 under the Exchange Act and make any disclosure to its stockholders if required by law or by the rules and regulations of the NASDAQ Global Select Market or, if the board of directors, after consultation with counsel, concludes in good faith that making such disclosure is required in order for the board to comply with its fiduciary duties under applicable law; provided that any such actions will be deemed a change in recommendation by the CPI board of directors unless the CPI board of directors publicly reaffirms its recommendation in favor of adoption of the merger agreement within five business days following Parent's request in writing that such recommendation be reaffirmed publicly, which request shall not be made on more than four occasions.

Parent has the right to terminate the merger agreement if, prior to the special meeting, the CPI board of directors or a committee of the board of directors changes its recommendation in favor of the adoption of the merger agreement in a manner adverse to Parent. CPI has the right to terminate the merger agreement in order to enter into a transaction that is a superior acquisition proposal. See "The Merger Agreement Termination of the Merger Agreement" beginning on page [] of this proxy statement.

Termination of the Merger Agreement (See Page [])

The merger agreement may be terminated at any time before the completion of the merger by mutual written consent of Parent and CPI.

The merger agreement may also be terminated prior to the completion of the merger by either Parent or CPI if:

a court or other government entity has issued an order enjoining or has otherwise prohibited the merger and such injunction or prohibition has become final and non-appealable;

CPI stockholder approval is not received at the duly called and held special meeting of CPI stockholders; or

the closing has not occurred on or before April 15, 2011.

The merger agreement may also be terminated prior to the completion of the merger by Parent (provided that Parent is not then in breach of any of its representations, warranties, covenants or agreements, such that Parent could not satisfy the applicable conditions to the closing related to its representations, warranties and obligations under the merger agreement) if:

CPI has breached or failed to perform any of its representations, warranties, covenants or agreements, such that CPI could not satisfy the applicable conditions to the closing related to its representations, warranties, covenants, and obligations, and such breach or failure to perform is incapable of being cured by April 15, 2011 or has not been cured within 30 days of written notice from Parent;

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the CPI board of directors changes its recommendation in favor of the adoption of the merger agreement in a manner adverse to Parent in connection with a superior acquisition proposal (see "The Merger Agreement Covenants and Agreements No Solicitation of Transactions by CPI" beginning on page [] of this proxy statement); or

the CPI board of directors changes its recommendation in favor of the adoption of the merger agreement in a manner adverse to Parent (i) in response to a material event, development, circumstance, occurrence or change in circumstances or facts not related to a competing acquisition proposal that was not known to CPI's board of directors on the date of the merger agreement (or if known, the magnitude or material consequences of which were not known or understood as of that date) or (ii) pursuant to the provision in the merger agreement which deems certain actions or failures to act by the CPI board of directors to be a change in recommendation (see "The Merger Agreement Covenants and Agreements No Solicitation of Transactions by CPI" beginning on page [] of this proxy statement).

The merger agreement may also be terminated prior to the completion of the merger by CPI:

if Parent has breached or failed to perform any of its representations, warranties, covenants or agreements, such that Parent could not satisfy the applicable conditions to the closing related to its representations, warranties, covenants, and obligations, and such breach or failure to perform is incapable of being cured by April 15, 2011 or has not been cured within 30 days of written notice from CPI (provided that CPI is not then in breach of any of its representations, warranties, covenants or agreements, such that CPI could not satisfy the applicable conditions to the closing related to its representations, warranties and obligations under the merger agreement); or

in order to enter into a superior acquisition proposal, subject to CPI having complied with its obligations pursuant to the anti-solicitation provisions of the merger agreement and subject to CPI's obligation to pay Parent a termination fee (see "The Merger Agreement Covenants and Agreements No Solicitation of Transactions by CPI" beginning on page [] of this proxy statement).

Termination Fee and Expenses Payable by CPI (See Page [])

CPI has agreed to pay a termination fee of \$13 million to Parent if the merger agreement is terminated under any of the following circumstances:

Parent terminates the merger agreement because the CPI board of directors changes its recommendation in favor of the adoption of the merger agreement in a manner adverse to Parent in connection with a superior acquisition proposal;

CPI terminates the merger agreement in order to enter into a superior acquisition proposal;

the CPI board of directors changes its recommendation in favor of the adoption of the merger agreement in a manner adverse to Parent, and Parent or CPI terminates the merger agreement because CPI stockholder approval is not received at the duly called and held special meeting of CPI stockholders;

(i) an acquisition proposal is made for CPI and is not publicly withdrawn within five business days prior to the CPI stockholders meeting; (ii) the CPI board of directors does not change its recommendation in favor of the adoption of the merger agreement in a manner adverse to Parent; (iii) Parent or CPI terminates the merger agreement because CPI stockholder approval is not received at the duly called and held special meeting of CPI stockholders; and (iv) within 12 months after termination, CPI enters into a definitive agreement with respect to an alternative transaction or consummates an alternative transaction (as defined under "The

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Merger Agreement Termination of the Merger Agreement Termination Fee and Expenses Payable by CPI" beginning on page [] of this proxy statement); or

(i) an acquisition proposal is made for CPI; (ii) Parent or CPI terminates the merger agreement because the closing has not occurred on or before April 15, 2011; and (iii) within 12 months after termination, CPI enters into a definitive agreement with respect to an alternative transaction or consummates an alternative transaction (as defined under "The Merger Agreement Termination of the Merger Agreement Termination Fee and Expenses Payable by CPI" beginning on page [] of this proxy statement).

In addition, CPI has agreed to pay a termination fee of \$15 million to Parent if Parent terminates the merger agreement because the CPI board of directors or a committee thereof changes its recommendation in favor of the adoption of the merger agreement in a manner adverse to Parent in response to a material event, development, circumstance, occurrence or change in circumstances or facts not related to a competing acquisition proposal that was not known to CPI's board of directors or a committee thereof on the date of the merger agreement (or if known, the magnitude or material consequences of which were not known or understood as of that date).

If the merger agreement is terminated and, pursuant to the terms of the merger agreement, Parent is entitled to receive a termination fee, the receipt of the termination fee will be Parent's exclusive remedy, and Parent will not be entitled to any further or other rights, claims or remedies at law or in equity, all of which further or other rights, claims and remedies Parent has irrevocably waived in the merger agreement.

The CPI board of directors, after consultation with CPI's legal and financial advisors, believed that, among other things, the termination fees and liquidated damages payable by CPI in all the above circumstances, as a percentage of the equity value of the transaction, were reasonable and would not unduly impede the ability of a third party to make a superior bid to acquire CPI if such third party were interested in doing so, and were at a level consistent with, or more favorable to CPI than, the fees payable in customary and comparable merger transactions. See "The Merger CPI's Reasons for the Merger; Recommendation of the CPI Board of Directors" beginning on page [] of this proxy statement.

In addition, if, after the date of the CPI stockholders meeting, Parent terminates the merger agreement following a change in recommendation by CPI's board resulting from certain events or developments unknown or not understood as of the date of the merger agreement, and the CPI stockholders failed to approve the merger agreement, CPI will also be required to reimburse up to \$2.5 million of Parent's fees and expenses.

Termination Fee Payable by Parent (See Page [])

Parent has agreed to pay CPI a termination fee of \$22.5 million (which will increase to \$27.5 million in the event of a willful breach of the merger agreement) if CPI terminates the merger agreement following Parent's failure to consummate the merger by the required date following satisfaction or waiver of all conditions to closing for the benefit of Parent and Merger Sub (other than conditions that by their terms are to be satisfied at closing), Catalyst must pay CPI a termination of \$22.5 million. The Veritas Fund has guaranteed the payment by Parent of this termination fee.

The Voting Agreement (See Page [])

Pursuant to a voting agreement entered into concurrently with the merger agreement, the Cypress Group stockholders have agreed to vote 49.9% of the outstanding shares of CPI common stock in favor of the merger. However, if the CPI board of directors changes its recommendation with respect to the merger due to certain events, circumstances or developments unknown or not understood as of the

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date of the merger agreement, the Cypress Group stockholders will be obligated to vote only 25% of the outstanding shares of CPI common stock in favor of the merger, and the remaining shares may be voted at the discretion of the Cypress Group stockholders. In addition, the voting agreement includes restrictions on the ability of the Cypress Group stockholders to transfer their shares of CPI's common stock before the merger. The voting agreement terminates upon the earliest of (i) the mutual agreement of the Cypress Group stockholders and Parent, (ii) the termination of the merger agreement or (iii) the effective time of the merger.

Accordingly, the adoption of the merger agreement by CPI stockholders is substantially assured as long as the voting agreement remains in effect. For a more complete description of the voting agreement, see "The Voting Agreement" beginning on page [] of this proxy statement. The voting agreement is also attached to this proxy statement as Annex B.

Material U.S. Federal Income Tax Consequences of the Merger (See Page [])

The receipt of cash by a U.S. holder (as defined below under "The Merger Material U.S. Federal Income Tax Consequences of the Merger") pursuant to the merger will generally be a taxable transaction for U.S. federal income tax purposes and such U.S. holder generally will recognize capital gain or loss equal to the difference, if any, between the cash that the U.S. holder receives in the merger and the U.S. holder's adjusted tax basis in the CPI common stock surrendered. A non-U.S. holder (as defined below under "The Merger Material U.S. Federal Income Tax Consequences of the Merger") generally will not be subject to U.S. federal income tax on gain recognized on the receipt of cash pursuant to the merger provided that (i) the gain is not effectively connected with the conduct of a trade or business by such non-U.S. holder in the United States and (ii) in the case of a non-U.S. holder that is an individual, such non-U.S. holder is not present in the United States for 183 days or more in the taxable year of the disposition.

The U.S. federal income tax consequences described above may not apply to certain holders of shares of CPI common stock. Please see the section of this proxy statement titled "The Merger Material U.S. Federal Income Tax Consequences of the Merger" for a summary discussion of the material U.S. federal income tax consequences of the merger to U.S. holders and non-U.S. holders. You are urged to consult your tax advisor as to the particular tax consequences of the merger to you, including the tax consequences under federal, state, local, foreign and other tax laws.

CPI Stockholders Will have No Ownership in the Surviving Corporation Following the Merger (See Page [])

CPI stockholders will cease to have any interest in CPI or the surviving corporation of the merger, and will only have the right to receive the cash merger consideration.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

The following are some questions that you, as a stockholder of CPI, may have regarding the merger and the special meeting and brief answers to those questions. You are urged to read this proxy statement and the other documents referred to in this proxy statement carefully and in their entirety because this section may not provide all of the information that is important to you with respect to the merger and the special meeting. Additional important information is contained in the annexes to this proxy statement.

Q: Why am I receiving this document?

A:

Parent and CPI have agreed to a merger, pursuant to which CPI will become a wholly-owned subsidiary of Parent and will cease to be a publicly held corporation. In order for the companies to complete the merger, the holders of a majority of the outstanding shares of CPI common stock must vote to adopt the merger agreement, and CPI is holding a special meeting of stockholders solely to obtain such stockholder approval.

This document is being delivered to you as a proxy statement of CPI in connection with the merger. It is the proxy statement by which the CPI board of directors is soliciting proxies from you to vote on the adoption of the merger agreement at the special meeting or at any adjournment or postponement of the special meeting.

Q: What am I being asked to vote on?

A:

CPI stockholders are being asked to vote on the following proposals:

to adopt the merger agreement between Parent and CPI, a copy of which is attached as Annex A to this proxy statement; and

to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to approve the proposal to adopt the merger agreement at the time of the special meeting.

The approval of the proposal to adopt the merger agreement by CPI stockholders is a condition to the obligations of CPI and Parent to complete the merger.

Q: Will any other matters be voted on at the special meeting?

A:

As of the date of this proxy statement, CPI's management knows of no other matter that will be presented for consideration at the special meeting other than those matters discussed in this proxy statement.

Q: What will happen in the merger?

A:

In the merger, Catalyst Acquisition, Inc., a wholly-owned subsidiary of Parent that was formed for the purpose of the merger, will be merged with and into CPI. CPI will be the surviving corporation in the merger and will be a wholly-owned subsidiary of Parent upon completion of the merger.

Q: What will I receive in the merger?

A:

If the merger is completed, each of your shares of CPI common stock will be cancelled and converted automatically into the right to receive \$19.50 in cash.

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Q: How did you determine the merger consideration to be paid to holders of CPI common stock?

A: The merger consideration was determined as a result of arm's-length negotiations between CPI's board of directors, on the one hand, and representatives of Parent and its affiliates, including the Veritas Fund, on the other hand.

Q: Why are you proposing the merger?

A: For a discussion of CPI's reasons for the merger, you are urged to read the information under "The Merger CPI's Reasons for the Merger; Recommendation of the CPI Board of Directors" beginning on page [] of this proxy statement.

Q: Do any of CPI's directors or officers have interests in the merger that may differ from or be in addition to my interests as a stockholder?

A: Yes. In considering the recommendation of the CPI board of directors that stockholders adopt the merger agreement, stockholders should be aware that CPI's directors and executive officers may have financial interests in the merger, in addition to their interests as stockholders of CPI entitled to receive the merger consideration, that may be different from, or in addition to, the interests of CPI stockholders generally. The CPI board of directors was aware of these interests and considered these interests, among other matters, in evaluating and negotiating the merger agreement and in recommending to CPI stockholders that the merger agreement be adopted. See "Interests of Certain Persons in the Merger" beginning on page [] of this proxy statement.

Q: Does CPI's board of directors recommend that stockholders adopt the merger agreement?

A: Yes. The CPI board of directors has, by unanimous vote of all directors acting upon the matter, determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable and in the best interests of CPI and its stockholders. Therefore, the CPI board of directors recommends that you vote "FOR" the proposal to adopt the merger agreement at the special meeting. See "The Merger CPI's Reasons for the Merger; Recommendation of the CPI Board of Directors" beginning on page [] of this proxy statement.

Q: What happens if the merger is not completed?

A: If the merger agreement is not adopted by CPI stockholders or if the merger is not completed for any other reason, you will not receive any payment for your shares of CPI common stock in connection with the merger. Instead, CPI will remain an independent public company and its common stock will continue to be listed and traded on the NASDAQ Global Select Market. If the merger agreement is terminated under specified circumstances, CPI may be required to pay Parent a termination fee of \$13 million and, in some cases, \$15 million, as described under "The Merger Agreement Termination of the Merger Agreement Termination Fee and Expenses Payable by CPI" beginning on page [] of this proxy statement. CPI may also be required to pay certain expenses of Parent. If the merger agreement is terminated under certain other circumstances, Parent may be required to pay CPI a termination fee of \$22.5 million (increasing to \$27.5 million in certain cases of willful breach by Parent or Merger Sub of the agreement or fraud), as described under "The Merger Agreement Termination of the Merger Agreement Termination Fee Payable by Parent" beginning on page [] of this proxy statement.

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Q: What stockholder vote is required for the approval of each proposal?

A:

The following are the vote requirements for the proposals:

Adoption of the Merger Agreement: Once a quorum has been established, the affirmative vote of holders of a majority of the shares of CPI common stock outstanding and entitled to vote on the proposal. Accordingly, abstentions, broker non-votes and unvoted shares will have the same effect as votes "AGAINST" adoption.

Adjournment (if necessary): Whether or not a quorum is present, the affirmative vote of holders of a majority of the voting power of CPI common stock present in person or represented by proxy and entitled to vote on the matter at the special meeting. Abstentions will have the same effect as a vote AGAINST the proposal to adjourn the special meeting. If you fail to submit a proxy or vote in person at the special meeting, the shares of common stock not voted will not be counted in respect of, and therefore will not have an effect on, the proposal to adjourn the special meeting. If your shares of CPI common stock are held through a bank, broker or other nominee and you do not instruct your bank, broker or other nominee to vote your shares of CPI common stock, your shares of CPI common stock will not be voted, but this will not have an effect on the proposal to adjourn the special meeting.

Q: What constitutes a quorum for the special meeting?

A:

A majority in voting power of all of the outstanding shares of CPI common stock entitled to vote being present in person or represented by proxy constitutes a quorum for the special meeting.

Q: When is this proxy statement being mailed?

A:

This proxy statement and the proxy card are first being sent to CPI stockholders on or about [], 2010.

Q: Who is entitled to vote at the special meeting?

A:

All holders of CPI common stock who held shares at the close of business on the record date for the special meeting ([], 2010) are entitled to receive notice of and to vote at the special meeting, provided that such shares remain outstanding on the date of the special meeting. As of the close of business on the record date, there were [] shares of CPI common stock outstanding and entitled to vote at the special meeting. Each share of CPI common stock is entitled to one vote.

Q: Are any CPI stockholders already committed to vote in favor of the merger agreement?

A:

Yes. Pursuant to a voting agreement entered into concurrently with the merger agreement, Cypress Associates II LLC and certain of its affiliates, which are referred to as the Cypress Group stockholders in this proxy statement, have, subject to certain exceptions, agreed to vote 49.9% of the outstanding shares of CPI common stock in favor of the merger agreement. Under certain circumstances, if the CPI board of directors changes its recommendation with respect to the merger, the Cypress Group stockholders will be required to vote only 25% of the outstanding shares of CPI common stock in favor of the adoption of the merger agreement. In addition, the voting agreement will terminate automatically upon the termination of the merger agreement. For a more complete description of the voting agreement, see "The Voting Agreement" beginning on page [] of this proxy statement. The voting agreement is also attached to this proxy statement as Annex B.

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Q: When and where is the special meeting?

A: The special meeting will be held at [] on [], 2011 at [] a.m., local time.

Q: What happens if the special meeting is adjourned?

A: Although it is not currently expected, the special meeting may be adjourned for the purpose of soliciting additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement. Other than an announcement to be made at the special meeting of the time, date and place of an adjourned meeting, any adjournment may be made without notice (if the adjournment is not for more than 30 days and a new record date has not been fixed). Any adjournment of the special meeting for the purpose of soliciting additional proxies will allow the CPI stockholders who have already sent in their proxies to revoke them at any time prior to the vote at the special meeting as adjourned.

Q: How do I vote my shares at the special meeting?

A: If you are entitled to vote at the CPI special meeting and you hold your shares in your own name, you can submit a proxy or vote in person by completing a ballot at the special meeting. However, CPI encourages you to submit a proxy before the special meeting even if you plan to attend the special meeting. A proxy is a legal designation of another person to vote your shares of CPI common stock on your behalf. If you hold shares in your own name, you may submit a proxy for your shares:

telephonically by calling (866) 540-5760 and following the instructions when prompted;

electronically via the Internet at www.proxyvoting.com/cpii and following the instructions provided to you; or

by filling out, signing and dating the enclosed proxy card and mailing it in the pre-paid envelope included with these proxy materials.

Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?

A: If your shares of CPI common stock are registered directly in your name with CPI's transfer agent, BNY Mellon Shareholder Services, you are considered, with respect to those shares of CPI common stock, the "stockholder of record." In that case, this proxy statement, and your proxy card, have been sent directly to you by CPI. If your shares of CPI common stock are held through a bank, broker or other nominee, you are considered the "beneficial owner" of shares of CPI common stock held in "street name." In that case, this proxy statement has been forwarded to you by your bank, broker or other nominee who is considered, with respect to those shares of common stock, the stockholder of record. As the beneficial owner, you have the right to direct your bank, broker or other nominee how to vote your shares of common stock by following their instructions for voting.

Q: If my shares are held in "street name" by my broker, will my broker automatically vote my shares for me?

A: No. If your shares are held in an account at a broker or through another nominee, you must instruct the broker or other nominee on how to vote your shares by following the instructions that the broker or other nominee provides to you with these materials. Most brokers offer the ability for stockholders to submit voting instructions by mail by completing a voting instruction card, by telephone or via the Internet.

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Brokers do not have discretionary authority to vote on the proposal to adopt the merger agreement. The broker may still register your shares as being present at the special meeting for purposes of determining a quorum but without your specific authorization, your shares will not be voted in favor of the merger or on any other matters over which brokers lack discretionary authority. This is called a broker non-vote. **A broker non-vote will have the same effect as a vote "AGAINST" adoption of the merger agreement.**

If your shares are held in an account at a broker or through another nominee, you must instruct the broker or other nominee on how to vote your shares by following the instructions that the broker or other nominee provides to you with these materials. Most brokers offer the ability for stockholders to submit voting instructions by mail by completing a voting instruction card, by telephone or via the Internet.

If you hold shares through a broker or other nominee and wish to vote your shares in person at the special meeting, you must obtain a proxy from your broker or other nominee and present it to the inspector of election with your ballot when you vote at the special meeting.

Q: How will my shares be represented at the special meeting?

A:

If you submit your proxy by telephone, the Internet or by signing and returning your proxy card, the officers named in your proxy card will vote your shares in the manner you requested if you correctly submitted your proxy. If you sign your proxy card and return it without indicating how you would like to vote your shares, your proxy will be voted as the CPI board of directors recommends, which is:

"FOR" the adoption of the merger agreement; and

"FOR" the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting.

Q: Who may attend the special meeting?

A:

CPI stockholders (or their authorized representatives) and CPI's invited guests may attend the special meeting. Stockholders may call CPI Investor Relations at (650) 846-2900 to obtain directions to the location of the special meeting.

Q: Is my vote important?

A:

Yes, your vote is very important. If you do not submit a proxy or vote in person at the special meeting, it will be more difficult for CPI to obtain the necessary quorum to hold the special meeting. In addition, an abstention or your failure to submit a proxy or to vote in person, or, if your shares are held in an account at a broker or through another nominee, your failure to instruct the broker or other nominee on how to vote your shares, will have the same effect as a vote "AGAINST" the adoption of the merger agreement. The CPI board of directors recommends that you vote "FOR" the adoption of the merger agreement.

Q: Can I revoke my proxy or change my voting instructions?

A:

Yes. You may revoke your proxy and/or change your vote at any time before your proxy is voted at the special meeting. If you are a stockholder of record, you can do this by:

sending a written notice stating that you revoke your proxy to CPI at CPI International, Inc., 811 Hansen Way, Palo Alto, California 94303, Attention: Corporate Secretary, that bears a date later than the date of the proxy and is received prior to the special meeting;

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submitting a valid, later-dated proxy by mail, telephone or Internet that is received prior to the special meeting; or

attending the special meeting and voting by ballot in person (your attendance at the special meeting will not, by itself, revoke any proxy that you have previously given).

If you hold your shares through a broker or other nominee, you must contact your broker or other nominee to change your vote or obtain a "legal proxy" to vote your shares if you wish to cast your vote in person at the meeting.

Q: What happens if I sell my shares after the record date but before the special meeting?

A: The record date for the special meeting is earlier than the date of the special meeting and the date that the merger is expected to be completed. If you sell or otherwise transfer your CPI shares after the record date but before the date of the special meeting, you will retain your right to vote at the special meeting. However, you will not have the right to receive the merger consideration to be received by CPI stockholders in the merger. In order to receive the merger consideration, you must hold your shares through completion of the merger.

Q: When will the stockholders' list be available for examination?

A: A complete list of the stockholders of record as of the record date will be available for examination by stockholders of record beginning on [], 2011 at CPI's headquarters and will continue to be available through and during the meeting at [].

Q: If I am going to attend the special meeting, should I return my proxy card?

A: Yes. Returning your signed and dated proxy card ensures that your shares will be represented and voted at the special meeting.

Q: What do I do if I receive more than one set of voting materials?

A: You may receive more than one set of voting materials for the special meeting, including multiple copies of this proxy statement, proxy cards and voting instruction forms. This can occur if you hold your shares in more than one brokerage account, if you hold shares directly as a record holder and also in "street name," or otherwise through a nominee, and in certain other circumstances. If you receive more than one set of voting materials, each should be voted and/or returned separately in order to ensure that all of your shares are voted.

Q: Am I entitled to exercise appraisal rights if I do not vote or if I vote against the adoption of the merger agreement?

A: Yes. Under Delaware law, if the merger is completed, record holders of CPI common stock who do not vote in favor of the adoption of the merger agreement and who otherwise properly assert their appraisal rights will be entitled to seek appraisal and obtain payment in cash for the judicially determined fair value of their shares of CPI common stock, in lieu of receiving the merger consideration. This value could be more than, the same as, or less than the value of the merger consideration. To exercise your appraisal rights, you must strictly follow the procedures described by Delaware law. Due to the complexity of these procedures, CPI stockholders who are considering exercising such rights are encouraged to seek the advice of legal counsel. These procedures are summarized under the heading, "The Merger Appraisal Rights," beginning on page [] of this proxy statement. In addition, the text of the applicable provisions of Delaware law is included as Annex C to this proxy statement. Failure to strictly comply with these provisions will result in loss of the right of appraisal.

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Q: Is completion of the merger subject to any conditions?

A:

Yes. In addition to the adoption of the merger agreement by CPI stockholders, completion of the merger requires the receipt of the necessary governmental and regulatory approvals and the satisfaction or, to the extent permitted by applicable law, waiver of the other conditions specified in the merger agreement.

Q: When do you expect to complete the merger?

A:

CPI and Parent are working toward completing the merger promptly. The consummation of the merger is subject to, among other things, receipt of CPI stockholder approval, governmental and regulatory approvals and other usual and customary closing conditions. As a result, no assurance can be given as to when, or if, the merger will occur.

Q: Is the transaction expected to be taxable to CPI stockholders?

A:

The receipt of cash by a U.S. holder pursuant to the merger will generally be a taxable transaction for U.S. federal income tax purposes and such U.S. holder generally will recognize capital gain or loss equal to the difference, if any, between the cash that the U.S. holder receives in the merger and the U.S. holder's adjusted tax basis in the CPI common stock surrendered. A non-U.S. holder generally will not be subject to U.S. federal income tax on gain recognized on the receipt of cash pursuant to the merger provided that (i) the gain is not effectively connected with the conduct of a trade or business by such non-U.S. holder in the United States and (ii) in the case of a non-U.S. holder that is an individual, such non-U.S. holder is not present in the United States for 183 days or more in the taxable year of the disposition. The U.S. federal income tax consequences described above may not apply to certain holders of shares of CPI common stock. You are urged to consult your tax advisor as to the particular tax consequences of the merger to you, including the tax consequences under federal, state, local, foreign and other tax laws. Please see the section of this proxy statement titled "The Merger Material U.S. Federal Income Tax Consequences of the Merger" for a summary discussion of the material U.S. federal income tax consequences of the merger to U.S. holders and non-U.S. holders.

Q: As a CPI stockholder, what risks should I consider in deciding whether to vote in favor of the merger?

A:

You should carefully review this proxy statement, including the section entitled "Cautionary Statement Regarding Forward-Looking Statements" which sets forth certain risks and uncertainties related to the merger. Risks related to CPI's business as an independent company are detailed in CPI's filings with the SEC, including CPI's most recent filings on Forms 10-K and 10-Q.

Q: Who will pay for this proxy solicitation?

A:

CPI will bear the cost of preparing, assembling and mailing the proxy material and of reimbursing brokers, nominees, fiduciaries and other custodians for out-of-pocket and clerical expenses of transmitting copies of the proxy material to the beneficial owners of shares of CPI common stock. A few of CPI's officers and employees may participate in the solicitation of proxies without additional compensation.

Q: What do I need to do now?

A:

Carefully read and consider the information contained in this proxy statement, including its annexes. Then, please vote your shares of CPI common stock, which you may do by:

completing, dating, signing and returning the enclosed proxy card in the accompanying postage-paid envelope;

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submitting your proxy by telephone or via the Internet by following the instructions included on your proxy card; or

attending the special meeting and voting by ballot in person.

If you hold shares through a broker or other nominee, please instruct your broker or nominee to vote your shares by following the instructions that the broker or nominee provides to you with these materials.

Q: Should I send in my stock certificates now?

A:

No. CPI stockholders should not send in their stock certificates at this time. After completion of the merger, Parent's paying agent will send you a letter of transmittal and instructions for exchanging your shares of CPI common stock for the merger consideration.

Q: What will a holder of CPI stock options receive if the merger occurs?

A:

Except as provided below, each option to purchase shares of CPI common stock that was granted under CPI's equity compensation plans and is outstanding immediately prior to the closing shall become vested and will be canceled at (or shortly following) the closing in exchange for cash, equal to the excess, if any, of (i) \$19.50, reduced by (ii) the per-share exercise price of such option.

With respect to grants of options to purchase CPI common stock made after the date of the merger agreement, only 25% of such options will be treated as described above and the remaining 75% of such options shall be cancelled at closing for no consideration.

Q: What will a holder of CPI restricted stock units and restricted stock awards receive if the merger occurs?

A:

Except as provided below, each restricted stock award and restricted stock unit granted under CPI's equity compensation plans outstanding immediately prior to the closing will be canceled at the closing in exchange for a payment, in cash, equal to \$19.50.

With respect to grants of CPI restricted stock and CPI restricted stock units made after the date of the merger agreement, only 25% of such restricted stock and restricted stock units will be treated as described above and the remaining 75% of such restricted stock and restricted stock units shall be cancelled at closing for no consideration.

Q: Whom should I contact with questions?

A:

If you have any questions about the merger or the special meeting or would like to obtain additional copies of this proxy statement, proxy cards or voting instruction forms, you may contact CPI by mail at CPI International, Inc., 811 Hansen Way, Palo Alto, California 94303, Attention: Investor Relations, or by phone at (650) 846-2900.

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The following table sets forth, for the fiscal periods indicated, the intra-day high and low sales prices per share for CPI common stock as reported on the NASDAQ Global Select Market, which is the principal trading market for CPI common stock.

	CPI Common Stock	
	High	Low
Fiscal Year 2008:		
First Quarter (September 29, 2007 to December 28, 2007)	\$ 21.00	\$ 15.81
Second Quarter (December 29, 2007 to March 28, 2008)	18.09	8.80
Third Quarter (March 29, 2008 to June 27, 2008)	14.31	9.25
Fourth Quarter (June 28, 2008 to October 3, 2008)	16.02	11.42
Fiscal Year 2009:		
First Quarter (October 4, 2008 to January 2, 2009)	\$ 12.43	\$ 5.07
Second Quarter (January 3, 2009 to April 3, 2009)	9.83	5.67
Third Quarter (April 4, 2009 to July 3, 2009)	12.93	7.13
Fourth Quarter (July 4, 2009 to October 2, 2009)	12.22	8.37
Fiscal Year 2010:		
First Quarter (October 3, 2009 to January 1, 2010)	\$ 14.48	\$ 9.27
Second Quarter (January 2, 2010 to April 2, 2010)	14.27	10.80
Third Quarter (April 3, 2010 to July 2, 2010)	16.14	12.16
Fourth Quarter (July 3, 2010 to October 1, 2010)	16.20	13.24
Fiscal Year 2011:		
First Quarter (October 2, 2010 to December 10, 2010)	\$ 19.38	\$ 13.73

The closing sales price per share of CPI common stock as reported on the NASDAQ Global Select Market as of November 24, 2010 (i.e., the last trading day before the public announcement of the merger agreement), and as of December 10, 2010 (the most recent practicable trading day prior to the date of this proxy statement) were \$14.47 and \$19.35, respectively.

No assurance can be given concerning the market prices of CPI common stock before the completion of the merger.

Dividends

If the merger is not completed, CPI currently expects to retain future earnings for use in the operation and expansion of its business and does not anticipate paying any cash dividends on its common stock in the foreseeable future.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement and the annexes attached hereto contain "forward-looking statements" that are intended to be covered by the safe harbor provided by the Private Securities Litigation Reform Act of 1995. Representatives of CPI may also make forward-looking statements. Forward-looking statements are statements that are not historical facts, and are identified by words such as "expect," "believe," "predict," "anticipate," "contemplate," "will," "may," "might," "continue," "plan," "estimate," "objective," "intend," "project," "budget," "forecast," "can," "could," "should," "would," "likely," "potential" and similar expressions. These statements include, but are not limited to, statements about the expected costs and benefits of the merger, the adoption of the merger agreement by CPI stockholders, the satisfaction of the closing conditions to the merger, and timing of the completion of the merger.

Forward-looking statements are not guarantees of performance. The forward-looking statements in this proxy statement are based upon the current beliefs and expectations of the management of CPI and are subject to numerous risks and uncertainties that could cause actual outcomes and results, including project completion dates, production rates, capital expenditures, costs and business plans, to be materially different from those projected or anticipated. These risks and uncertainties include, but are not limited to, the risks detailed in CPI's filings with the SEC, including CPI's most recent filings on Forms 10-K and 10-Q, factors and matters contained or incorporated by reference in this document, and the following factors:

CPI stockholder approval may not be obtained in a timely manner, or at all;

the regulatory approvals required for the merger may not be obtained on the proposed terms, on the anticipated schedule, or at all;

the merger may fail to close due to the failure to satisfy any of the closing conditions;

disruption from the pending merger may make it more difficult for CPI to maintain employee, business and operational relationships;

management time may be diverted on merger-related matters;

Parent may be unable to obtain the necessary equity and debt financing set forth in commitment letters received in connection with the merger or such financing may prove insufficient to complete the merger and the transactions contemplated by the merger agreement;

the effect of the announcement of the merger on CPI's business relationships, operating results and business generally;

the outcome of any legal proceedings that have been or may be instituted against CPI and/or others relating to the merger;

the amount of costs, fees, and expense and charges relating to the merger and the actual terms of certain financing relating to the merger; and

other events, changes or circumstances could arise that could cause the merger not to be consummated and/or could give rise to the termination of the merger agreement, including a termination under circumstances that could require CPI to pay a termination fee.

You should carefully consider the cautionary statements contained or referred to in this section in connection with any subsequent written or oral forward-looking statements that may be issued by CPI or persons acting on CPI's behalf. You are cautioned not to place undue reliance

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on the forward-looking statements made in this proxy statement or the annexes incorporated into this proxy statement or by representatives of CPI. These statements speak only as of the date hereof, or, in the case of statements in any annex hereto, as of the date of such document, or, in the case of statements made by

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representatives of CPI, on the date those statements are made. All subsequent written and oral forward-looking statements concerning the merger, the surviving corporation or any other matter addressed in this proxy statement and attributable to CPI or any person acting on behalf of CPI are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. CPI expressly disclaims any obligation to update or publish revised forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of any unanticipated events.

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THE COMPANIES

Catalyst Holdings, Inc.

Catalyst Holdings, Inc. which is referred to in this proxy statement as Parent, was formed solely for the purpose of entering into the merger agreement and completing the transactions contemplated by the merger agreement and the related financing transactions. Parent has not conducted any unrelated activities since its organization. Parent is an affiliate of The Veritas Capital Fund IV, L.P (which is referred to as the Veritas Fund), a fund managed by Veritas Capital. Founded in 1992 and headquartered in New York, Veritas Capital is a private equity investment firm that invests in companies that provide critical products and services to governments worldwide, with a focus on the defense and government services sector. Since its founding, Veritas Capital has been involved as the lead investor in transactions totaling more than \$8 billion in value.

The principal executive offices of Parent, the Veritas Fund and Veritas Capital are located at c/o Veritas Capital Fund Management, L.L.C., 590 Madison Avenue, New York, NY 10022; their telephone number is (212) 415-6700; and Veritas Capital's Web site address is www.veritascapital.com.

Catalyst Acquisition, Inc.

Catalyst Acquisition, Inc., referred to in this proxy statement as Merger Sub, is a Delaware corporation and a wholly-owned subsidiary of Parent. Merger Sub was formed solely for the purpose of facilitating the acquisition of CPI. Merger Sub has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the merger. Upon completion of the merger, the separate corporate existence of Merger Sub will cease, and CPI will continue as the surviving company.

The principal executive offices of Merger Sub are located at c/o Veritas Capital Fund Management, L.L.C., 590 Madison Avenue, New York, NY 10022, and Merger Sub's telephone number is (212) 415-6700.

CPI

CPI is the parent company of Communications and Power Industries, Inc., a provider of microwave, radio frequency, power and control products for critical defense, communications, medical, scientific and other applications. Communications and Power Industries, Inc. develops, manufactures and distributes products used to generate, amplify, transmit and receive high-power/high-frequency microwave and radio frequency signals and/or provide power and control for various applications.

Approximately half of Communications and Power Industries, Inc.'s product sales for fiscal year 2010 were for United States and foreign government and military end use, particularly for radar, electronic warfare and communications applications. Its products are critical elements of high-priority U.S. and foreign military programs and platforms, including numerous planes, ships and ground-based platforms. Defense applications of Communications and Power Industries, Inc.'s products include transmitting and receiving radar signals for locating and tracking threats, weapons guidance and navigation, as well as transmitting decoy and jamming signals for electronic warfare and transmitting signals for satellite communications. The U.S. Government is its only customer that accounted for more than 10% of its sales in the last three fiscal years.

In addition, Communications and Power Industries, Inc. has applied its key technologies to commercial end markets, including communications, medical, industrial and scientific applications, which provide it with a diversified base of sales. Approximately half of its product sales for fiscal year 2010 were for commercial applications.

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CPI estimates that approximately 36% of Communications and Power Industries, Inc.'s total sales for fiscal year 2010 were generated from recurring sales of replacements, spares and repairs, including upgraded replacements for existing products. CPI believes that this aspect of its business is inherently more stable and predictable, and that it is less susceptible to dramatic shifts in market conditions.

CPI is incorporated in Delaware. CPI's principal executive offices are located at CPI International, Inc., 811 Hansen Way, Palo Alto, California 94303, and its telephone number is (650) 846-2900. CPI's Web site address is www.cpii.com. Information on CPI's Web site is not incorporated into this proxy statement.

The principal trading market for CPI's common stock (NASDAQGS: CPII) is the NASDAQ Global Select Market.

For a further discussion of CPI's business, we urge you to read CPI's 2010 Annual Form 10-K. See "Where You Can Find More Information" beginning on page [] of this proxy statement.

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SPECIAL MEETING OF STOCKHOLDERS OF CPI

CPI is providing this proxy statement to its stockholders in connection with the solicitation of proxies by the board of directors to be voted at the special meeting at which holders of CPI common stock will be asked to approve the proposal to adopt the merger agreement and to approve the proposal to adjourn the special meeting, if necessary or appropriate, for the purpose of soliciting additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement. This proxy statement is first being mailed to CPI stockholders on or about [], 2010 and provides CPI stockholders with the information they need to know to be able to vote or instruct their vote to be cast at the special meeting of CPI stockholders.

CPI's stockholders must approve the proposal to adopt the merger agreement in order for the merger to occur. If CPI's stockholders fail to approve the proposal to adopt the merger agreement, the merger will not occur.

Date, Time and Place

The special meeting will be held at [] on [], 2011 at [] a.m., local time.

Purpose

At the special meeting, CPI stockholders will be asked to vote solely on the following proposals:

to adopt the merger agreement; and

to approve the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to approve the proposal to adopt the merger agreement at the time of the special meeting.

CPI Board Recommendation

The CPI board of directors has, by unanimous vote of all directors acting upon the matter, determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and in the best interests of CPI and its stockholders. One of CPI's directors, Michael Finley, recused himself from discussions and voting upon the merger agreement due to a potential conflict of interest. See "The Merger Background of the Merger" for a discussion regarding Mr. Finley's recusal. Accordingly, CPI's board of directors (other than Mr. Finley) unanimously recommends that you vote "**FOR**" the adoption of the agreement and "**FOR**" the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to approve the proposal to adopt the merger agreement at the time of the special meeting. See "The Merger CPI's Reasons for the Merger; Recommendation of the CPI Board of Directors" beginning on page [] of this proxy statement.

CPI stockholders should carefully read this proxy statement in its entirety for more detailed information concerning the merger agreement and the merger. In addition, CPI stockholders are urged to read the merger agreement in its entirety because it is the legal document that governs the merger. A copy of the merger agreement is attached as Annex A to this proxy statement.

CPI Record Date; Outstanding Shares; Shares Entitled to Vote

The record date for the CPI special meeting is [], 2010. Only CPI stockholders of record at the close of business on [], 2010 will be entitled to receive notice of and to vote at the special meeting or any adjournment of the special meeting. Shares of CPI common stock held by CPI as treasury shares and by CPI's subsidiaries will not be entitled to vote.

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As of the close of business on the record date of [], 2010, there were [] shares of CPI common stock outstanding and entitled to vote at the special meeting. Each holder of CPI common stock is entitled to one vote for each share of CPI common stock owned as of the record date.

A complete list of CPI stockholders entitled to vote at the CPI special meeting will be available for inspection at the principal place of business of CPI during regular business hours for a period of no less than 10 days before the special meeting, as well as at the place of the CPI special meeting during the meeting.

Quorum

A quorum of stockholders is required for CPI stockholders to adopt the merger agreement at the special meeting. The presence at the special meeting, in person or by proxy, of the holders of a majority in voting power of the outstanding shares of CPI common stock entitled to vote on the record date will constitute a quorum. Proxies received but marked as abstentions, if any, will be included in the calculation of the number of shares considered to be present at the meeting for quorum purposes. With respect to broker non-votes (as defined below), the adoption of the merger agreement is not considered a routine matter. Therefore, your broker will not be permitted to vote on the adoption of the merger agreement without instruction from you as the beneficial owner of the shares of CPI common stock. However, broker non-votes will be counted for purposes of determining whether a quorum is present at the special meeting.

Required Vote

To adopt the merger agreement, holders of a majority of the shares of CPI common stock outstanding and entitled to vote on the proposal must vote in favor of adoption of the merger agreement. **Because approval is based on the affirmative vote of a majority of the outstanding shares of CPI common stock, a CPI stockholder's failure to submit a proxy card or to vote in person at the special meeting or an abstention from voting, or the failure of a CPI stockholder who holds his or her shares in "street name" through a broker or other nominee to give voting instructions to such broker or other nominee, will have the same effect as a vote "AGAINST" adoption of the merger agreement.**

If there are not sufficient votes to adopt the merger agreement at the time of the special meeting, a majority of the votes present in person or by proxy (whether or not a quorum is present) may adjourn the meeting to another time and place in order to solicit additional proxies. Abstentions will have the same effect as a vote "AGAINST" the proposal to adjourn the special meeting. Shares not in attendance at the special meeting and broker non-votes will have no effect on the outcome of any vote to adjourn the special meeting.

The Voting Agreement

Pursuant to a voting agreement entered into concurrently with the merger agreement, the Cypress Group stockholders have agreed to vote 49.9% of the outstanding shares of CPI common stock in favor of the merger. However, if the CPI board of directors changes its recommendation with respect to the merger due to certain events, circumstances or developments unknown or not understood as of the date of the merger agreement, the Cypress Group stockholders will be obligated to vote only 25% of the outstanding shares of CPI common stock in favor of the merger and the remaining shares may be voted at the discretion of the Cypress Group stockholders. In addition, the voting agreement includes restrictions on the ability of the Cypress Group stockholders to transfer their shares of CPI's common stock before the merger. The voting agreement terminates upon the earliest of (i) the mutual agreement of the Cypress Group stockholders and Parent, (ii) the termination of the merger agreement or (iii) effective time of the merger.

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Accordingly, the adoption of the merger agreement by CPI stockholders is substantially assured as long as the voting agreement remains in effect and the CPI board of directors does not change its recommendation due to certain events, circumstances or developments unknown or not understood as of the date of the merger agreement. For a more complete description of the voting agreement, see "The Voting Agreement" beginning on page [] of this proxy statement. The voting agreement is also attached to this proxy statement as Annex B.

Stock Ownership of and Voting by CPI's Directors and Executive Officers

As of December 10, 2010, directors and executive officers of CPI as a group beneficially owned 2,773,910 shares of CPI common stock, and have the right to vote 402,101 shares of CPI common stock, entitling them to collectively cast approximately 2.4% of the shares of CPI common stock entitled to vote at the special meeting. This does not include 8,868,738 shares of CPI common stock beneficially held by the Cypress Group stockholders and certain of their affiliates as of December 10, 2010 of which Mr. Hughes, one of CPI's directors, may be deemed to have beneficial ownership by virtue of his position as a managing member of Cypress Associates II LLC. As noted above, those affiliates have agreed collectively to vote a portion of those shares (comprising 49.9% of the outstanding shares of CPI common stock) in favor of the merger, subject to certain exceptions. See "The Voting Agreement" beginning on page [] of this proxy statement.

These 2,773,910 shares also include 2,371,809 shares that are subject to stock options that are or will be exercisable by the holder within 60 days of December 10, 2010, but which are not expected to be exercised prior to the closing.

Except as described above as to shares held by the Cypress Group stockholders, none of CPI's directors or officers has entered into any agreement requiring them to vote for or against the merger proposal.

See "Security Ownership of Certain Beneficial Owners and Management" at page [] of this proxy statement for more information regarding the ownership of common stock of CPI.

Voting of Shares by Holders of Record

By Internet or Telephone

If you hold CPI shares directly in your name as a stockholder of record, you may vote electronically via the Internet at www.proxyvoting.com/cpii, or telephonically by calling (866) 540-5760. Votes submitted telephonically or via the Internet must be received by 11:59 p.m. (Eastern time) on [], 2011.

If you hold CPI shares in street name through a broker or other nominee, you may vote electronically via the Internet at www.proxyvoting.com/cpii. If you wish to vote by telephone you should refer to the voting instructions on the enclosed proxy card which contains a specific telephone number and code for you to use. Votes submitted telephonically or via the Internet must be received by 11:59 p.m. (Eastern time) on [], 2011.

In Person

If you hold CPI shares directly in your name as a stockholder of record, you may vote in person at the special meeting. Stockholders of record also may be represented by another person at the special meeting by executing a proper proxy designating that person.

If you hold CPI shares in street name through a broker or other nominee, you must obtain a legal proxy from that institution and present it to the inspector of elections with your ballot to be able to

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vote in person at the special meeting. To request a legal proxy please follow the instructions at www.proxyvoting.com/cpii.

By Mail

If you hold CPI shares directly in your name as a stockholder of record, you will need to mark, sign and date your proxy card and return it using the pre-paid return envelope provided. CPI must receive your proxy card no later than close of business on [], 2011.

When a stockholder submits a proxy by telephone or through the Internet, his or her proxy is recorded immediately. CPI encourages its stockholders to submit their proxies using these methods whenever possible. If you submit a proxy by telephone or via the Internet, please do not return your proxy card by mail. If you attend the meeting, you may also submit your vote in person. Any votes that you previously submitted whether via the Internet, by telephone or by mail will be superseded by the vote that you cast at the meeting.

All shares represented by each properly executed and valid proxy received before the special meeting will be voted in accordance with the instructions given on the proxy. If a CPI stockholder executes a proxy card without giving instructions, the shares of CPI common stock represented by that proxy card will be voted "FOR" approval of the proposal to adopt the merger agreement.

Your vote is important. Accordingly, please submit your proxy by telephone, through the Internet or by mail, whether or not you plan to attend the meeting in person.

Voting of Shares Held in Street Name

If your shares are held in an account at a broker or through another nominee, you must instruct the broker or other nominee on how to vote your shares. If you do not provide voting instructions to your broker, your shares will not be voted on any proposal on which your broker does not have discretionary authority to vote. This is referred to in this proxy statement and in general as a broker non-vote. In these cases, the broker or other nominee can register your shares as being present at the special meeting for purposes of determining a quorum, but will not be able to vote your shares on those matters for which specific authorization is required.

Under Delaware law, broker non-votes count as being present for purposes of determining whether a quorum of shares is present at a meeting. Brokers do not have discretionary authority to vote on the proposal to adopt the merger agreement. Therefore, a broker non-vote will have the same effect as a vote "AGAINST" adoption of the merger agreement. A broker non-vote will have no effect on any proposal to adjourn the special meeting.

Revocability of Proxies; Changing Your Vote

You may revoke your proxy and/or change your vote at any time before your shares are voted at the special meeting. If you are a stockholder of record, you can do this by:

sending a written notice stating that you revoke your proxy to CPI International, Inc. at 811 Hansen Way, Palo Alto, California 94303, Attention: Corporate Secretary. The written notice must bear a date later than the date of the proxy and be received prior to the special meeting;

submitting a valid, later-dated proxy by mail, telephone or Internet that is received prior to the special meeting; or

attending the special meeting and voting by ballot in person (your attendance at the special meeting will not, by itself, revoke any proxy that you have previously given).

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If you hold your shares through a broker or other nominee, you must contact your broker or other nominee to change your vote or obtain a "legal proxy" to vote your shares if you wish to cast your vote in person at the meeting.

Solicitation of Proxies

This proxy statement is furnished in connection with the solicitation of proxies by the CPI board of directors to be voted at the CPI special meeting. CPI will bear all costs and expenses in connection with the solicitation of proxies, including the charges of brokerage houses and other custodians, nominees or fiduciaries for forwarding documents to security owners. Proxies may also be solicited by certain of CPI's directors, officers and employees by telephone, electronic mail, letter, facsimile or in person, but no additional compensation will be paid to them.

Stockholders should not send stock certificates with their proxies. A letter of transmittal and instructions for the surrender of CPI common stock certificates will be mailed to CPI stockholders shortly after the completion of the merger, if approved.

Stockholders Sharing an Address

Consistent with notices sent to stockholders of record sharing a single address, CPI is sending only one copy of this proxy statement to that address unless CPI received contrary instructions from any stockholder at that address. This "householding" practice reduces the volume of duplicate information received at your household and helps CPI reduce costs. Stockholders may request to discontinue householding, or may request a separate copy of this proxy statement by one of the following methods:

stockholders of record wishing to discontinue or begin householding, or any stockholder of record residing at a household address wanting to request delivery of a copy of this proxy statement should contact CPI International, Inc., 811 Hansen Way, Palo Alto, California 94303, Attention: Investor Relations, telephone number (650) 846-2900; and

stockholders owning their shares through a broker or nominee who wish to either discontinue or begin householding should contact their record holder.

No Other Business

Under CPI's amended and restated bylaws, the business to be conducted at the special meeting will be limited to the purposes stated in the notice to CPI stockholders provided with this proxy statement.

Adjournments

Adjournments may be made for the purpose of, among other things, soliciting additional proxies. Whether or not a quorum is present, a majority of the voting power present in person or by proxy may adjourn the meeting to another time and place. CPI is not required to notify stockholders of any adjournment of 30 days or less if the time and place of the adjourned meeting are announced at the meeting at which the adjournment is taken, unless after the adjournment a new record date is fixed for the adjourned meeting. At any adjourned meeting, CPI may transact any business that it might have transacted at the original meeting. Proxies submitted by CPI stockholders for use at the special meeting will be used at any adjournment or postponement of the meeting. References to the CPI special meeting in this proxy statement are to such special meeting as adjourned or postponed.

Assistance

If you need assistance in completing your proxy card or have questions regarding the special meeting, please contact CPI International, Inc., 811 Hansen Way, Palo Alto, California 94303, Attention: Investor Relations.

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THE MERGER

This discussion of the merger is qualified in its entirety by reference to the merger agreement, which is attached to this proxy statement as Annex A. You should read the entire merger agreement carefully as it is the legal document that governs the merger and related transactions.

General

The merger agreement provides that Merger Sub will merge with and into CPI. After the merger, CPI will be the surviving entity and will be a wholly-owned subsidiary of Parent. As a result of the merger, CPI will cease to be a publicly traded company. You will not own any shares of capital stock of the surviving corporation.

Merger Consideration

At the effective time of the merger, each outstanding share of CPI common stock (other than shares owned by CPI, Parent and Merger Sub) will be converted into the right to receive the per share merger consideration of \$19.50 in cash, without interest. For information regarding the treatment of stock options and restricted stock, see "The Merger Agreement Merger Consideration; Conversion or Cancellation of Shares in the Merger Treatment of CPI Equity Awards" beginning on page [] of this proxy statement.

Background of the Merger

The following is a summary of the meetings, negotiations, material contacts and discussions between CPI and Veritas Capital and certain of their representatives and affiliates that preceded the execution of the merger agreement.

In May 2010, CPI entered into an Agreement and Plan of Merger (which is referred to as the Comtech merger agreement) with Comtech Telecommunications, Inc. (which is referred to as Comtech), which provided for the acquisition of CPI by Comtech for a combination of cash and Comtech common stock (which is referred to as the proposed Comtech merger). Based on the stock price of Comtech's common stock on the day before the announcement of the Comtech merger agreement, the value of the consideration in the proposed Comtech merger was \$16.40 per share of CPI common stock. During the pendency of the Comtech merger agreement, representatives of several private equity firms (including Veritas Capital) inquired with CPI's representatives as to whether CPI would be willing to engage in discussions with them regarding a potential transaction. CPI did not respond to those inquiries because the Comtech merger agreement prohibited CPI from discussing alternative transactions with third parties except in response to proposals that would be considered "acquisition proposals" as defined in the Comtech merger agreement, and those inquiries did not meet that standard.

In July 2010, Comtech announced that it was not selected as the program manager and vendor for the Force XXI Battle Command Brigade and Below, Blue Force Tracking 2 (FBCB2-BFT-2) program. As a result of this announcement, the price of Comtech common stock dropped significantly, resulting in a substantial decline in the value of the consideration that CPI's stockholders would have received pursuant to the proposed Comtech merger.

CPI engaged in discussions and negotiations with Comtech from the end of July 2010 through the beginning of September 2010 in order to try to reach agreement as to how to address these developments. On July 26, 2010, Comtech proposed in writing to the CPI board of directors to amend the Comtech merger agreement to offer \$16.40 per share in cash for each share of CPI common stock. Subsequent to that time, CPI made a number of counterproposals to Comtech over a period of several weeks, including a proposal that Comtech pay \$18 per share in cash for the CPI common stock, or alternatively, that Comtech pay approximately \$17.10 per share in cash for the CPI common stock and

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permit CPI to pay a dividend to its stockholders of certain excess cash amounts held by CPI. In addition, CPI explored a proposal whereby all stockholders could elect to receive either approximately \$17.60 per share in cash or a mix of stock and cash with a value of approximately \$16.66 at the time of signing, with an overall cost of \$17.10 per share at the time of signing. All of these proposals were rejected by Comtech. During these discussions Comtech withdrew its \$16.40 proposal.

On August 23, 2010, Comtech sent CPI a letter in which Comtech expressed its view that CPI should proceed with the consummation of the proposed Comtech merger under the original terms. Based on the Comtech stock price at that time, the value of the consideration that CPI stockholders would have received under the Comtech merger agreement would have been \$13.87 per share of CPI common stock. At that point, CPI entered into discussions with Comtech exploring the possibility of terminating the Comtech merger agreement. These discussions resulted in Comtech and CPI entering into an agreement on September 7, 2010 to terminate the Comtech merger agreement and CPI paying a termination fee of \$15 million to Comtech. CPI issued a press release on September 7, 2010 announcing the termination of the Comtech merger agreement.

On September 8, 2010, Robert McKeon of Veritas Capital sent a letter to Michael Targoff, chairman of the board of CPI, in which Veritas Capital made a non-binding proposal to acquire all of the outstanding common stock of CPI at a cash price of \$16.50 per share. Veritas Capital also requested a 15-day exclusivity period to perform due diligence and negotiate the terms of the transaction.

Mr. Targoff, together with representatives of J.P. Morgan, CPI's financial advisor, spoke with representatives of Veritas Capital and indicated that a cash price of \$16.50 per share was unlikely to be acceptable to the CPI board of directors and suggested that any cash offer should equal or exceed \$18 per share in order for the CPI board of directors to be interested in pursuing a potential transaction. Veritas Capital indicated that it would be willing to increase its price to \$18 per share and sent a letter to the CPI board of directors on September 13, 2010 confirming this increase.

The CPI board of directors held a telephonic meeting on September 13, 2010 to discuss the Veritas Capital expression of interest. All directors were present except for William P. Rutledge. Representatives of J.P. Morgan and CPI's corporate counsel, Irell & Manella LLP, which is referred to as Irell, were also in attendance. The board of directors discussed the Veritas Capital proposal and concluded that CPI should enter into a non-disclosure agreement with Veritas Capital and explore a potential transaction with Veritas Capital but that CPI should not commit to negotiate exclusively with Veritas Capital.

Veritas Capital signed a non-disclosure agreement with CPI on September 15, 2010 and began conducting due diligence.

Senior executives of CPI provided a high-level briefing of CPI's business for Veritas Capital via conference call on September 22, 2010. Following this briefing, Veritas Capital orally reaffirmed its interest in acquiring CPI at a price of \$18 per share.

During September and early October 2010, five other potential acquirers made unsolicited inquiries with CPI or J.P. Morgan regarding a potential acquisition of CPI. Only two of these inquiries resulted in a formal proposal to the CPI board of directors. On September 27, 2010, one of these potential acquirers (Party A) sent a letter to Mr. Targoff expressing its interest in acquiring CPI for a price in the range of \$16 to \$18 per share.

On September 29, 2010, the CPI board of directors held a regularly scheduled board meeting. The CPI board of directors discussed the status of the three expressions of interest that had been received at that time from private equity investors, including Veritas Capital. The CPI board of directors decided that it was not appropriate to engage in exclusive negotiations with any party at that time. The CPI board of directors decided to use a special committee process similar to that employed by the CPI board of directors during the negotiations with respect to the Comtech merger agreement for purposes

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of evaluating and addressing these expressions of interest. In early October 2010, the CPI board of directors adopted and approved resolutions by unanimous written consent establishing a special committee consisting of Mr. Rutledge, Stephen R. Larson and Mr. Targoff, which is referred to as the special committee, to review and evaluate the expressions of interest and direct any negotiations. In these resolutions, the CPI board of directors also determined that it would not approve any transaction without the prior favorable recommendation of the transaction by the special committee.

On September 30, 2010, senior executives of CPI met with senior representatives of Veritas Capital in New York to discuss CPI's business. Representatives of J.P. Morgan also attended this meeting.

On September 30, 2010, J.P. Morgan, on behalf of CPI, spoke with representatives from Party A and indicated that CPI would not enter into a non-disclosure agreement with Party A unless Party A agreed to increase its indication of interest to \$18 per share or above.

One of the private equity funds that had expressed interest in CPI during September 2010 was affiliated with Michael Finley, one of CPI's directors. Although discussions between CPI and this private equity fund did not proceed beyond the preliminary phase, Mr. Finley notified the CPI board of directors on October 4, 2010 that he had decided to recuse himself from all further deliberations regarding the potential sale of CPI. Mr. Finley did not participate in any CPI board of directors or special committee meetings related to the sale of CPI after that time.

On October 6, 2010, Veritas Capital and certain of its potential financing sources met with CPI management at CPI's Palo Alto offices to hear detailed presentations regarding CPI's west coast operating divisions.

On October 8, 2010, a representative of another private equity firm (Party B) sent an email to J.P. Morgan indicating that Party B was considering submitting a letter of intent for an acquisition of CPI based on a price of \$17 per share.

On October 8, 2010, CPI's special committee held a telephonic meeting at which it discussed strategies and considerations related to the existing expressions of interest as well as reaching out to other parties that might be interested in the acquisition of CPI. Representatives of Moelis, financial advisor to the special committee, and Morris, Nichols, Arsht & Tunnell LLP, which is referred to as Morris Nichols, legal counsel to the special committee, attended this meeting. The special committee instructed Moelis to identify other potential parties that might be interested in the acquisition of CPI.

On October 13, 2010, representatives of Veritas Capital travelled to CPI's Canadian facilities and received a presentation regarding the CPI east coast operating divisions.

On October 15, 2010, CPI's special committee held a meeting at which Moelis made a presentation regarding process alternatives and the special committee instructed Moelis and J.P. Morgan to communicate to Party B that CPI was unlikely to enter into extended discussions with Party B if it did not submit a written indication of interest at \$18 per share or above. In addition, Moelis and J.P. Morgan were directed to make calls to five parties from a list of potential strategic acquirers that had been identified by Moelis.

On October 18, 2010, Party B sent a letter to J.P. Morgan and Moelis containing a non-binding proposal to acquire CPI for a price based on \$17 to \$18 per share in cash. After several exchanges between Party B and representatives of CPI, discussions with Party B ceased because CPI and its representatives did not believe that those discussions would lead to an offer for CPI at a price of \$18 per share or above.

On October 19, 2010, Veritas Capital's lawyers, Skadden, Arps, Slate, Meagher & Flom, which is referred to as Skadden, sent to Irell a draft merger agreement for the proposed acquisition of CPI by Veritas. The draft merger agreement provided for the acquisition of CPI by affiliates of Veritas Capital for a price of \$18 per share in cash. Among other things, the draft merger agreement (i) provided that if Parent did not consummate the merger when obligated to do so under the merger agreement the

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Veritas Fund would be obligated to pay a termination fee of \$12.5 million and (ii) did not provide CPI with a specific performance right. Soon thereafter, Skadden provided draft financing commitment letters for the proposed acquisition.

On October 20, 2010, representatives of Party A traveled to CPI's Canadian offices where they received a presentation regarding CPI from CPI executives.

On October 21, 2010, representatives of one of the potential strategic acquirers identified by the special committee (Party C) sent an email to Moelis in which Party C expressed interest in a potential acquisition of CPI and indicated that it had retained an investment banker to help it evaluate such a transaction.

On October 21, 2010, CPI management held a call with Veritas Capital and its potential lenders to address certain outstanding due diligence questions.

During this period, the other four potential strategic acquirers identified by the special committee indicated that they were not interested in pursuing an acquisition of CPI at a price of \$18 per share or above.

On October 22, 2010, representatives of Party A made separate calls to J.P. Morgan and CPI's Chief Executive Officer, Joe Caldarelli, telling them that Party A was unlikely to be willing to pay \$18 per share or more for CPI. No further discussions were held with Party A.

On October 22, 2010, CPI's special committee held a telephonic meeting. Mr. Caldarelli and Mr. Hughes, along with representatives of Irell, Morris Nichols, Moelis and J.P. Morgan, were also in attendance. The directors discussed the status of the various expressions of interest and the strategy for proceeding. The directors instructed Irell and Morris Nichols to prepare a response to Veritas Capital's draft merger agreement. In particular, the special committee instructed counsel to include a "go-shop" provision in the draft that would have permitted CPI to continue actively soliciting other potential buyers for a limited period of time after the Veritas Capital merger agreement was signed and to pay a reduced termination fee if CPI entered into an acquisition agreement with another buyer during that period, and to include provisions providing for a specific performance right of CPI.

On October 25, 2010, Party C sent a letter to the CPI board of directors in which it set forth a non-binding proposal to acquire CPI for a price based on \$18 to \$20 per share. That same day, CPI and Party C entered into a non-disclosure agreement. Soon thereafter, Party C began conducting due diligence on CPI.

On October 26, 2010, CPI's special committee held a meeting with representatives of Morris Nichols and Moelis in attendance. Mr. Caldarelli, Mr. Hughes, representatives of J.P. Morgan and representatives of Irell were also in attendance for a portion of the meeting. The directors in attendance discussed the status of the discussions with Veritas Capital and Party C, including the status of each party's due diligence investigation. The special committee directed representatives of Irell and Morris Nichols to prepare a draft merger agreement and submit it to Party C.

On October 26, 2010, Irell and Morris Nichols sent a revised draft of the merger agreement to Skadden. Among other provisions, the revised draft included the following items: (i) the draft provided that CPI would have the right to actively solicit other potential acquisition candidates during a "go-shop" period that would last for 30 days after the merger agreement was signed, and that the termination fee payable due to CPI accepting a superior acquisition proposal that was received before or during the "go-shop" period would be a reduced fee \$6.125 million; and (ii) the draft provided for a termination fee of \$25 million payable to CPI in the event of a breach of the merger agreement by Parent, and a termination fee of \$50 million in the event of willful breach of the merger agreement by Parent; and (iii) the draft provided CPI with a broad specific performance right.

On October 29, 2010, representatives of Party C met with executives of CPI at CPI's Palo Alto facilities to hear presentations regarding CPI's west coast operating divisions.

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On October 29, 2010, Veritas Capital called J.P. Morgan and told them that Veritas Capital was not willing to pursue a transaction with CPI if CPI were to insist on including a "go-shop" provision in the merger agreement.

On November 1, 2010, CPI's special committee held a meeting, with representatives of Morris Nichols and Moelis in attendance. Mr. Caldarelli, Mr. Hughes, representatives of J.P. Morgan and representatives of Irell were also in attendance for a portion of the meeting. The directors in attendance discussed the status of the discussions with Veritas Capital and Party C, including the status of each party's due diligence investigations. The directors discussed Veritas Capital's insistence that the draft merger agreement not contain a "go-shop" provision and directed counsel to remove the "go-shop" provision from the draft merger agreement.

On November 2, 2010, representatives of Party C met with CPI executives at CPI's Ontario facilities to hear a presentation regarding CPI's east coast operating divisions. In addition, on November 2, 2010, CPI's lawyers sent a draft merger agreement to Party C's representatives.

On November 3, 2010, representatives of Party C met with executives at CPI's operations in Beverly, Massachusetts and were provided with a facility tour.

Representatives of Moelis and J.P. Morgan, on behalf of CPI, asked Party C to provide CPI with a letter on or before November 11, 2010 updating Party C's indication of interest based on the due diligence conducted to date. Party C indicated that it would try to meet that timeline but that it might need more time to obtain the necessary internal approvals.

On November 4, 2010, J.P. Morgan, on behalf of CPI, indicated to Veritas Capital that CPI was willing to remove the "go-shop" provision from the draft merger agreement.

On November 5, 2010, Skadden sent a revised draft of the merger agreement to representatives of CPI. The revised draft (i) did not include a "go-shop" provision, (ii) provided that, in the event of a breach of the merger agreement by Parent, Parent would be required to pay a \$17.5 million termination fee and (iii) provided CPI with a limited specific performance right. After this time, representatives of Irell and Morris Nichols engaged in discussions with Skadden to resolve the open legal terms of the Veritas Capital acquisition proposal, including: the amount of termination fees payable by the parties and the circumstances under which such fees would be payable; the covenants that would apply between the signing of the merger agreement and the effective time of the merger; and the scope of specific performance remedies available to CPI in the event of a breach of the merger agreement by Parent.

On November 9, 2010, Mr. Caldarelli briefly met with representatives of Veritas Capital at Veritas Capital's New York offices, with representatives of Moelis and J.P. Morgan in attendance. At that meeting, the parties discussed the status of the transaction.

On November 11, 2010, the investment bankers representing Party C contacted J.P. Morgan and notified them that Party C required additional time prior to submitting an updated proposal.

On November 15, 2010, the CPI special committee held a telephonic meeting. All members of the special committee were in attendance, as well as Mr. Caldarelli, Mr. Hughes, and representatives of J.P. Morgan, Moelis, Irell and Morris Nichols. The group discussed the status of the Party C proposal and the Veritas Capital proposal, including open contractual terms with each potential acquirer. With respect to the Veritas Capital proposal, the issues discussed included the amount of the termination fees payable in the event of a breach of the merger agreement by Parent and the scope of CPI's specific performance right. The group also discussed the expected timing of the updated indication of interest from Party C and decided to meet again as soon as that was received.

On November 16, 2010, Party C sent a letter to the CPI board of directors reaffirming its interest in pursuing an acquisition of CPI based on a price of \$18 per share of CPI common stock. Party C

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indicated in that letter that it believed it could be in a position to complete its due diligence and sign a definitive agreement by December 3, 2010.

The CPI special committee held a telephonic meeting on November 17, 2010. Mr. Rutledge and Mr. Targoff were in attendance as well as representatives of Moelis and Morris Nichols. In addition, Mr. Caldarelli and Mr. Hughes, along with representatives of J.P. Morgan and Irell, participated in a portion of the meeting. The parties on the call discussed the status of the Veritas Capital and Party C proposals, including a comparison of the proposed deal terms and the status of the parties' due diligence efforts. It was decided that J.P. Morgan and Moelis should contact Party C on behalf of CPI and suggest that Party C raise its bid and confirm its ability to sign a definitive agreement by November 29, 2010. CPI's representatives were also instructed to continue pursuing discussions with Veritas Capital.

Party C sent a revised draft of the draft acquisition contract to representatives of CPI on November 17, 2010. After this time, representatives of Irell and Morris Nichols engaged in discussions with the attorneys for Party C to resolve the open legal terms of the Party C acquisition proposal.

On November 18, 2010, the investment banker representing Party C spoke to representatives of J.P. Morgan and Moelis and indicated that Party C was willing to raise its bid to \$19 per share in cash and asked that CPI commit to negotiate exclusively with Party C. Party C confirmed this bid in a letter to the CPI board of directors later in the day. Party C also specified in that letter that it believed it could be in a position to complete its due diligence and sign a definitive agreement by November 29, 2010.

The CPI special committee held a telephonic meeting on November 18, 2010. All of the members of the special committee were in attendance, as well as Mr. Caldarelli and Mr. Hughes and representatives of J.P. Morgan, Moelis, Irell and Morris Nichols. CPI's representatives updated the board members regarding the status of the discussions with Party C and Veritas Capital, and summarized the differences between the two parties' proposals, including the impact of financing contingencies. After discussion, the special committee concluded that CPI could not commit to negotiating exclusively with Party C but that CPI should continue discussions with both parties and that the special committee should meet again promptly to continue discussion of the two proposals.

The CPI special committee held a telephonic meeting on November 19, 2010. All of the members of the special committee were in attendance, as well as representatives of Moelis and Morris Nichols. Representatives of J.P. Morgan and Irell also attended a portion of the meeting. CPI's representatives updated the board members regarding the status of the discussions with Party C and Veritas Capital, and answered questions from the members of the special committee regarding the two parties' proposals. After discussion, the special committee decided that CPI should continue pursuing discussions with Party C and that CPI should notify Veritas Capital that CPI had received a proposal that was superior to Veritas Capital's proposal both on price and other terms and encourage Veritas Capital to submit a revised bid. J.P. Morgan and Moelis, on behalf of CPI, communicated this message to Veritas Capital later that evening.

On November 22, 2010, Veritas Capital sent a letter to the CPI board of directors in which it increased its offer price to \$19.25 per share, and made improvements to certain other terms of its proposal, including an offer to increase the termination fee payable by Parent in the event of a breach of the merger agreement to \$20 million (or \$27.5 million in the event of a willful breach) and to make certain requested changes to the specific performance provision in the merger agreement. Veritas Capital's letter indicated that the offer would expire at 5 pm on November 23, 2010 and was predicated on CPI finalizing definitive agreements with it by the end of business on November 23, 2010 and announcing a transaction on November 24, 2010.

On the morning of November 23, 2010, the CPI special committee held a telephonic meeting, with all members of the special committee in attendance. Mr. Caldarelli and Mr. Hughes, as well as

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representatives of J.P. Morgan, Moelis, Irell and Morris Nichols, were also in attendance. The special committee discussed the terms of Veritas Capital's latest proposal and discussed the comparative advantages and disadvantages of the Veritas Capital proposal and the Party C proposal. The special committee decided that CPI's representatives should contact Party C and inform them that CPI had received a superior offer and that CPI would be prepared to pursue that offer unless Party C responded quickly with an improved offer. The special committee also decided that CPI should contact Veritas Capital and inform Veritas Capital that CPI would be willing to move forward to signing with Veritas Capital if Veritas Capital was willing to increase its offer to \$19.50 per share, increase to \$22.5 million the termination fee payable by Parent in the event of a Parent breach, make certain improvements to the other terms of its offer and confirm that it had completed its due diligence.

Later on November 23, 2010, the CPI special committee held another telephonic meeting, with Mr. Rutledge and Mr. Targoff in attendance. Representatives of J.P. Morgan, Moelis, Irell and Morris Nichols were also in attendance. The special committee further discussed the message that would be communicated to Veritas Capital and authorized Mr. Targoff to contact Veritas Capital that afternoon.

Mr. Targoff spoke with Mr. McKeon later on November 23, 2010 and presented CPI's proposal which, among other things, increased the price per share to \$19.50. After discussion, Mr. McKeon indicated that this proposal was acceptable to Veritas Capital.

At the same time, representatives of J.P. Morgan and Moelis, on behalf of CPI, contacted Party C's investment banker and informed them that CPI had another offer that was superior and that Party C would need to improve its offer very quickly, or CPI would move expeditiously to agreement with another party.

Party C's investment banker contacted J. P. Morgan on the morning of November 24, 2010. He indicated that Party C was unwilling to move its price above \$19 per share but that it would be willing to commit to signing a definitive agreement at the \$19 per share price by November 27, 2010, if CPI would agree to negotiate exclusively with Party C during that time period. He also indicated that Party C would stop work on the potential transaction if Party C's offer was not accepted by 1pm that day.

The CPI special committee held two meetings during the afternoon of November 24, 2010. All members of the special committee were in attendance. Mr. Caldarelli, Mr. Hughes, and representatives of J.P. Morgan, Moelis, Irell and Morris Nichols were also in attendance for a portion of the meetings. At these meetings, the special committee discussed the latest communications from Veritas Capital and Party C, and discussed the remaining open issues on the Veritas Capital definitive agreements. The special committee authorized Mr. Rutledge and Mr. Caldarelli to work with CPI's representatives to resolve the remaining open issues with Veritas Capital.

Later that day, Mr. Caldarelli, Veritas Capital and representatives of Skadden, Irell and Morris Nichols held a conference call to resolve the principal remaining outstanding issues on the Veritas Capital draft acquisition agreements.

A combined meeting of the CPI board of directors and the CPI special committee was held on the evening of November 24, 2010. All CPI directors were present except for Mr. Finley. Representatives of J.P. Morgan, Moelis, Irell and Morris Nichols were also in attendance. Irell and Morris Nichols summarized for the CPI board of directors the terms and provisions of the Veritas Capital merger agreement. J.P. Morgan presented its financial analysis of the proposed transaction with Veritas Capital to the CPI board of directors. J.P. Morgan delivered its oral opinion dated November 24, 2010, which was confirmed in writing, that, as of that date and based on and subject to the various factors, assumptions and limitations set forth in such written opinion, the per share merger consideration to be paid to holders of CPI common stock in the merger was fair, from a financial point of view, to such holders. Moelis presented to the special committee its financial analysis of the proposed transaction. Moelis delivered to the special committee its oral opinion, which was subsequently confirmed by delivery of a written opinion dated November 24, 2010, that, as of that date and based on and subject

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to the various factors, assumptions, limitations and qualifications set forth in such written opinion, the per share merger consideration to be received by CPI's stockholders in the merger was fair, from a financial point of view, to CPI's stockholders (other than the Cypress Group and its affiliates, Parent, Merger Sub or any other wholly-owned subsidiary of Parent). Mr. Caldarelli, Mr. Hughes and the representatives of J.P. Morgan and Irell then left the meeting while the members of the special committee discussed the proposed transaction. The members of the special committee unanimously adopted resolutions recommending that the CPI board of directors adopt and approve the proposed transaction with affiliates of Veritas Capital. Mr. Caldarelli, Mr. Hughes, and the representatives of J.P. Morgan and Irell then rejoined the meeting. The CPI directors present unanimously adopted resolutions adopting and approving the proposed Veritas merger; CPI and Parent and Merger Sub executed and delivered the merger agreement; and Parent and the Cypress Group stockholders executed and delivered the voting agreement.

On November 26, 2010, prior to the commencement of trading on the NASDAQ Global Select Market, CPI issued a press release announcing the signing of the merger agreement and the voting agreement.

CPI's Reasons for the Merger; Recommendation of the CPI Board of Directors

The CPI board of directors carefully evaluated the merger agreement and the merger. The CPI board of directors determined, by unanimous vote of all directors acting upon the matter, that the merger agreement and the merger are advisable and in the best interests of, CPI and its stockholders. As described above under " Background of the Merger", Mr. Finley recused himself from discussions and voting upon the merger agreement due to a potential conflict of interest. Accordingly, CPI's board of directors (other than Mr. Finley) unanimously recommended that the stockholders of CPI vote "FOR" the adoption of the merger agreement.

In the course of reaching its recommendation, the CPI board of directors consulted with CPI's senior management, its financial advisors and outside legal counsel and considered a number of substantive factors, both positive and negative, and potential benefits and detriments of the merger to CPI and its stockholders. The CPI board of directors believed that, taken as a whole, the following factors supported its decision to approve the merger:

Consideration; Historical Market Prices. The value of the consideration to be received by CPI's stockholders pursuant to the merger, which represented a significant premium over the market prices at which CPI common stock had previously recently traded, including a premium of approximately 35% over the closing price of CPI common stock of \$14.47 on November 24, 2010, the last trading day prior to the meeting of the board of directors at which the merger was approved, and the level of that premium as compared to the premia in other comparable merger transactions. In addition, the \$19.50 per share merger consideration represents an approximate 19% increase over the value of \$16.40 per share, which was the value of the per share consideration expected to be received by CPI stockholders in the Comtech merger at the time the Comtech merger agreement was executed (based on the then trading value of Comtech's common stock).

Discussions with Other Potential Acquirors. The fact that the CPI board of directors had engaged in extensive negotiations with Comtech with respect to the value of CPI, considered expressions of interest from several other private equity funds, solicited expressions of interest from five potential strategic acquirors and engaged in extensive negotiations with Party C as described in " Background of the Merger," and that the \$19.50 per share merger consideration represented the highest bid that CPI received in the course of that process and the CPI board of directors' belief, after consultation with its financial advisors, that such per share price was the highest price reasonably attainable from a third party acquirer at such time.

Consideration Solely in Cash. The fact that, since the entirety of the merger consideration will be paid in cash, the value to be received by CPI stockholders be immediately realized and will not depend on the financial performance of the acquirer following the merger.

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Financial Advisor's Opinion. The fact that the CPI board of directors received an oral opinion, dated November 24, 2010, confirmed in writing, from J.P. Morgan that, as of that date, and based on and subject to the various factors, assumptions and limitations set forth in such written opinion, the per share merger consideration to be paid to holders of CPI common stock in the merger was fair, from a financial point of view, to such holders as more fully described below under the heading " Opinion of J.P. Morgan Securities LLC" beginning on page [] of this proxy statement.

Financial Advisor's Other Advice. The fact that J.P. Morgan, a qualified and independent financial advisor, assisted the board of directors in its process of exploring strategic alternatives.

The Special Committee Recommendation. The fact that a special committee of the board of directors comprised of independent directors recommended, among other things, that the full board approve and adopt the merger agreement.

The Opinion of the Financial Advisor to the Special Committee. The fact that the special committee received an oral opinion, subsequently confirmed in writing by delivery of a written opinion dated November 24, 2010, that, as of that date and based on and subject to the various factors, assumptions, limitations and qualifications set forth in such written opinion, the per share merger consideration to be received by CPI's stockholders in the merger, was fair, from a financial point of view, to CPI's stockholders (other than the Cypress Group and its affiliates, Parent, Merger Sub or any other wholly-owned subsidiary of Parent), as more fully described below under the heading " Opinion of Moelis & Company LLC" beginning on page [] of this proxy statement.

Support of Certain CPI Stockholders. The fact that stockholders representing a majority of the shares of CPI common stock outstanding as of the date of the merger agreement expressed support for the merger, as evidenced by their willingness to enter into the voting agreement.

Lack of Public Float and Perceived Overhang. The belief that the upside for CPI's common stock price as an independent company was limited due to CPI's relatively small market capitalization, small public float (due to the majority holdings of the Cypress Group stockholders), low trading volume when compared to other companies listed on the NASDAQ Global Select Market, relative lack of research analyst coverage of CPI's common stock, and the perception by analysts that substantial sales of CPI common stock by the Cypress Group stockholders could depress CPI's stock price. Among other things, CPI's small market capitalization was due to CPI's inability to grow significantly through acquisitions.

Terms of the Merger Agreement and Voting Agreement. The terms and conditions of the merger agreement and voting agreement, including:

The limited closing conditions to Parent's obligations under the merger agreement, including the fact that the merger agreement is not subject to the receipt of any financing by Parent;

The provisions of the merger agreement that allow, under certain circumstances more fully described under "The Merger Agreement Covenants and Agreements No Solicitation of Transactions by CPI" beginning on page [] of this proxy statement, CPI to engage in negotiations with, and provide information to, third parties in response to an unsolicited competing acquisition proposal from a third party that the CPI board of directors determines constitutes or would reasonably be expected to lead to a proposal that is superior to the merger;

The provisions of the merger agreement that allow, under certain circumstances more fully described under "The Merger Agreement Covenants and Agreements No Solicitation of Transactions by CPI" beginning on page [] of this proxy statement, the CPI board of

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directors to change its recommendation that CPI stockholders adopt the merger agreement in response to certain competing acquisition proposals and certain intervening events, if the CPI board of directors determines in good faith that a failure to make a change in its recommendation would be reasonably likely to constitute a violation of its fiduciary duties to stockholders under Delaware law;

The provisions of the voting agreement that provide for the termination of the voting agreement automatically upon termination of the merger agreement, including upon termination of the merger agreement by CPI to enter into a definitive, written agreement concerning a superior acquisition proposal as described under "The Merger Agreement Termination of the Merger Agreement" beginning on page [] of this proxy statement and "The Voting Agreement" beginning on page [] of this proxy statement);

The provisions of the voting agreement that reduce the amount of shares the Cypress Group stockholders are required to vote in favor of the adoption of the merger agreement to 25% of the outstanding shares of CPI common stock if the CPI board of directors changes its recommendation with respect to the merger under certain circumstances (see "The Merger Agreement Termination of the Merger Agreement" beginning on page [] of this proxy statement and "The Voting Agreement" beginning on page [] of this proxy statement). In such circumstances, the Cypress Group stockholders could vote their remaining shares of stock (representing approximately 28% of the outstanding shares of CPI common stock) against the adoption of the merger agreement, which would effectively allow the non-Cypress Group stockholders to determine whether the merger agreement is adopted; and

The ability of CPI to specifically enforce the terms of the merger agreement.

Financing Related Terms. The terms and conditions related to the financing of the merger by Parent, including that:

Merger Sub received executed debt financing commitment letters from major commercial banks with significant experience in similar lending transactions and a strong reputation for honoring the terms of the commitment letters, which, in the reasonable judgment of the board of directors, increases the likelihood of such financing being completed.

Each of Parent and Merger Sub is required to use reasonable best efforts to seek to enforce its rights under the debt financing documents in the event of a material breach thereof by the financing sources thereunder.

The Veritas Fund has provided the equity commitment letter to fund the equity portion of the financing (which represents approximately 38% of the total \$575 million financing required for the merger, including the refinancing of CPI's current indebtedness) and has provided assurances of the sources of its funds.

The conditions to funding set forth in the debt and equity financing commitment letters are limited in number and scope, and Parent and Merger Sub are obligated to use reasonable best efforts to obtain the debt financing, and if they fail to effect the closing under certain circumstances, Parent is obligated to pay CPI a termination fee.

The Veritas Fund has provided the guaranty in favor of CPI that guarantees the payment of the aforementioned termination fee.

CPI is entitled to cause the equity to be funded if (i) all of the conditions to Parent's and Merger Sub's obligations to the merger have been satisfied, (ii) the debt financing would be funded at the effective time of the merger if the equity is funded, (iii) all of the conditions to funding set forth in the equity commitment letter have been satisfied and (iv) CPI has

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confirmed that if the equity financing and debt financing were funded, the closing of the merger would occur.

CPI is entitled to cause Parent to take reasonable best efforts to cause the debt to be funded if (i) all of the conditions to Parent's and Merger Sub's obligations to the merger have been satisfied, (ii) all of the conditions to funding set forth in the debt commitment letter have been satisfied (other than the receipt of the equity financing) and (iii) CPI has confirmed that if the equity financing and debt financing were funded, the closing of the merger would occur.

Availability of Appraisal Rights. The fact that stockholders who do not vote in favor of the adoption of the merger agreement and who otherwise properly comply with Delaware law will have the right to demand appraisal of the fair value of their shares of CPI common stock under Delaware law, and that there was no condition in the merger agreement relating to the maximum number of shares of CPI common stock for which CPI stockholders could demand appraisal.

The CPI board of directors also considered certain potentially negative factors in its deliberations concerning the merger, including the following:

Risks of Non-Completion. The possibility that the merger might not be completed as a result of, among other reasons, potential objections of regulatory authorities, and the transaction costs that will be incurred even if the merger is not consummated, along with the effect the resulting public announcement of termination of the merger agreement may have on the trading price of CPI common stock and CPI's operating results.

Possible Deterrence of Competing Offers. The risk that various provisions of the merger agreement, including the requirement that CPI must pay to Parent a break-up fee of \$13 million, if the merger agreement is terminated in connection with a superior acquisition proposal, may discourage other parties potentially interested in an acquisition of, or combination with, CPI from pursuing that opportunity. See "The Merger Agreement Termination of the Merger Agreement" beginning on page [] of this proxy statement.

Effect of Voting Agreement. The fact that while the approval of the adoption of the merger agreement by CPI's stockholders is required under Delaware law, approximately 49.9% of the shares of CPI common stock entitled to vote at the special meeting have committed to vote in favor of such adoption pursuant to the voting agreement. As a result, the adoption of the merger agreement at the special meeting is nearly assured merely by the vote of those CPI stockholders party to the voting agreement. See "The Merger Agreement Covenants and Agreements No Solicitation of Transactions by CPI" and "The Voting Agreement" beginning on pages [] and [] of this proxy statement, respectively.

Possible Disruption of the Business and Costs and Expenses. The possible disruption to CPI's business that may result from the merger, the resulting distraction of the attention of CPI's management and potential attrition of CPI's employees, as well as the costs and expenses associated with completing the merger.

Restrictions on Operation of CPI's Business. The requirement that CPI conduct its business only in the ordinary course prior to the completion of the merger and subject to specified restrictions on the conduct of CPI's business without Parent's prior consent, which might delay or prevent CPI from taking advantage of certain business opportunities that might arise pending completion of the merger.

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Unavailability of Financing. The possibility that Parent and Merger Sub will be unable to obtain the debt financing from the lenders under the commitment letters, including as a result of the conditions in the debt commitment letter.

Limited Damage Remedies. The fact that CPI is entering into a merger agreement with newly formed entities and, accordingly, that its damages remedy in connection with a breach of the merger agreement by Parent and Merger Sub is limited to \$22.5 million, unless the breach is willful, in which case the damages remedy is limited to \$27.5 million.

Merger Consideration Taxable. The fact that the receipt of cash by certain CPI stockholders pursuant to the merger will generally be a taxable transaction for U.S. federal income tax purposes and such stockholders generally will recognize capital gain or loss equal to the difference, if any, between the cash that the stockholder receives in the merger and the stockholder's adjusted tax basis in the CPI common stock surrendered. See "The Merger Material U.S. Federal Income Tax Consequences of the Merger" beginning on page [] of this proxy statement.

The CPI board of directors concluded that the potential benefits that it expected CPI stockholders would receive as a result of the merger outweighed the potentially negative factors associated with the merger. Accordingly, the CPI board of directors, by unanimous vote of all directors who acted upon the matter, determined that the merger agreement and the merger are advisable to, and in the best interests of, CPI and its stockholders.

In addition, the CPI board of directors was aware of and considered the interests that CPI's directors and executive officers may have with respect to the merger that differ from, or are in addition to, their interests as stockholders of CPI generally, as described in "Interests of Certain Persons in the Merger" beginning on page [] of this proxy statement.

The foregoing discussion of the information and factors considered by the CPI board of directors is not exhaustive. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the CPI board of directors did not consider it practicable to, and did not attempt to, quantify or otherwise assign relative or specific weight or values to any of these factors. Rather, the CPI board of directors viewed its position and recommendation as being based on an overall analysis and on the totality of the information presented to and factors considered by it. In addition, in considering the factors described above, individual directors may have given different weights to different factors. After considering this information, the CPI board of directors, by unanimous vote of all directors acting upon the matter, approved and declared the advisability of the merger agreement and the merger, and recommended that CPI stockholders adopt the merger agreement.

This explanation of CPI's reasons for the merger and other information presented in this section is forward-looking in nature and, therefore, should be read in light of the "Cautionary Statement Regarding Forward-Looking Statements" beginning on page [] of this proxy statement.

Opinion of J.P. Morgan Securities LLC

CPI retained J.P. Morgan as its financial advisor for the purpose of advising CPI in connection with the merger. At the meeting of the board of directors of CPI on November 24, 2010, held to evaluate the merger, J.P. Morgan rendered its oral opinion, confirmed in writing to the board of directors of CPI, that, as of such date and on the basis of and subject to the various factors, assumptions and limitations set forth in such written opinion, the per share merger consideration to be paid to holders of CPI common stock in the merger was fair, from a financial point of view, to such holders. The J.P. Morgan written opinion, dated November 24, 2010, is sometimes referred to herein as the J.P. Morgan opinion.

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The full text of the written opinion of J.P. Morgan, dated November 24, 2010, which sets forth, among other things, the assumptions made, procedures followed, matters considered and any limitations on the scope of review undertaken by J.P. Morgan in rendering its opinion, is attached as Annex D. The summary of J.P. Morgan's opinion set forth in this document is qualified in its entirety by reference to the full text of the opinion. Stockholders are urged to, and should read the J.P. Morgan opinion carefully and in its entirety. J.P. Morgan's opinion is directed to the board of directors of CPI (in its capacity as such), addresses only the fairness, from a financial point of view, of the consideration to be paid to the holders of common stock of CPI in the merger, and does not address any other aspect of the merger. The issuance of the J.P. Morgan opinion was approved by a fairness opinion committee of J.P. Morgan. J.P. Morgan provided its advisory services and opinion for the information and assistance of the board of directors of CPI in connection with its consideration of the merger. The opinion of J.P. Morgan does not constitute a recommendation as to how any stockholder should vote with respect to the merger or any other matter. In addition, the J.P. Morgan opinion does not in any manner address the prices at which CPI's common stock will trade following the date of the opinion.

In arriving at its opinion, J.P. Morgan, among other things:

reviewed a draft dated November 24, 2010 of the merger agreement;

reviewed certain publicly available business and financial information concerning CPI and the industries in which it operates;

compared the proposed financial terms of the merger with the publicly available financial terms of certain transactions involving companies J.P. Morgan deemed relevant and the consideration paid to such companies;

compared the financial and operating performance of CPI with publicly available information concerning certain other companies J.P. Morgan deemed relevant, and reviewed the current and historical market prices of CPI's common stock and certain publicly traded securities of such other companies;

reviewed certain internal financial analyses and projections prepared by or at the direction of the management of CPI relating to its business; and

performed such other financial studies and analyses and considered such other information as J.P. Morgan deemed appropriate for the purposes of its opinion.

J.P. Morgan also held discussions with certain members of the management of CPI with respect to certain aspects of the merger, and the past and current business operations of CPI, the financial condition and future prospects and operations of CPI, and certain other matters J.P. Morgan believed necessary or appropriate to its inquiry. J.P. Morgan also participated in certain discussions and negotiations among representatives of CPI and Parent and their respective financial and legal advisors.

In giving its opinion, J.P. Morgan relied upon and assumed the accuracy and completeness of all information that was publicly available or was furnished to or discussed with J.P. Morgan by CPI or otherwise reviewed by or for J.P. Morgan, and J.P. Morgan did not independently verify (nor did it assume responsibility or liability for independently verifying) any such information or its accuracy or completeness. J.P. Morgan did not conduct and was not provided with any valuation or appraisal of any assets or liabilities, nor did J.P. Morgan evaluate the solvency of CPI and Catalyst Holdings, Inc. under any state or federal laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts or analyses derived therefrom provided to J.P. Morgan, J.P. Morgan assumed that they were reasonably prepared based on assumptions reflecting the best currently-available estimates and judgments by management as to the expected future results of operations and financial condition of CPI to which such analyses or forecasts relate. J.P. Morgan expressed no view as to such analyses or

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forecasts or the assumptions on which they were based. J.P. Morgan also assumed that the merger and the other transactions contemplated by the merger agreement would be consummated as described in the merger agreement, and that the definitive merger agreement would not differ in any material respects from the draft thereof furnished by CPI and reviewed by J.P. Morgan. J.P. Morgan also assumed that the representations and warranties made by CPI, Parent and Merger Sub in the merger agreement and any related agreements were and would be true and correct in all respects material to its analysis. J.P. Morgan is not a legal, regulatory or tax expert and relied on the assessments made by CPI's advisors with respect to such issues. J.P. Morgan further assumed that all material governmental, regulatory or other consents, authorizations and approvals necessary for the consummation of the merger will be obtained without any adverse effect on CPI or on the contemplated benefits of the merger.

The J.P. Morgan opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to J.P. Morgan as of, the date of the J.P. Morgan opinion. Subsequent developments may affect the J.P. Morgan opinion, and J.P. Morgan does not have any obligation to update, revise or reaffirm the J.P. Morgan opinion. The J.P. Morgan opinion is limited to the fairness, from a financial point of view, of the consideration to be paid to the holders of CPI's common stock in the merger, and J.P. Morgan has expressed no opinion as to the fairness of the merger to, or as to the fairness of any consideration to be paid to, the holders of any other class of securities, creditors or other constituencies of CPI or as to the underlying decision by CPI to engage in the merger. Furthermore, J.P. Morgan has expressed no opinion with respect to the amount or nature of any compensation to any officers, directors, or employees of any party to the merger, or any class of such persons relative to the consideration to be paid to the holders of CPI's common stock in the merger or with respect to the fairness of any such compensation. J.P. Morgan has also expressed no opinion as to the price at which shares of CPI's common stock will trade at any future time.

In accordance with customary investment banking practice, J.P. Morgan employed generally accepted valuation methods in reaching its opinion. The following is a summary of the material financial analyses undertaken by J.P. Morgan in connection with rendering the J.P. Morgan opinion delivered to the CPI board of directors on November 24, 2010 and contained in the presentation delivered to the CPI board of directors on November 24, 2010 in connection with the rendering of such opinion. Some of the summaries of the financial analyses include information presented in tabular format. The tables are not intended to stand alone, and in order to more fully understand the financial analyses used by J.P. Morgan, the tables must be read together with the full text of each summary. Considering the data set forth below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of J.P. Morgan's financial analyses. For purposes of the financial analyses summarized below, the "per-share merger consideration" refers to the \$19.50 implied per share value in cash, without interest.

Estimates

In performing its analysis of CPI, J.P. Morgan relied upon estimates provided by the management of CPI for the period from October 1, 2010 through September 30, 2015, plus an extrapolation of such estimates prepared by J.P. Morgan for the period from October 1, 2015 through September 30, 2020 reviewed and approved by the management of CPI, which are referred to in this proxy statement as the CPI Management Estimates.

The financial forecasts furnished to J.P. Morgan for CPI were prepared by the management of CPI. CPI does not publicly disclose internal management forecasts of the type provided to J.P. Morgan in connection with J.P. Morgan's analysis of the merger, and such forecasts were not prepared with a view toward public disclosure. These forecasts were based on numerous variables and assumptions that are inherently uncertain and may be beyond the control of management, including, without limitation,

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factors related to general economic and competitive conditions and prevailing interest rates. Accordingly, actual results could vary significantly from those set forth in such forecasts (for additional information regarding the financial forecasts provided by CPI to J.P. Morgan, see "The Merger Certain Illustrative Financial Projections Provided by CPI", beginning on page [] of this proxy statement).

Financial Analyses

Historical Share Price Analysis; 52-Week Trading Range; 3-Month Volume-Weighted Average Price; 6-Month Volume-Weighted Average Price.

J.P. Morgan reviewed the per share daily closing market price of CPI's common stock over the two-year period ending on November 19, 2010. In particular, J.P. Morgan reviewed the 52-week trading range of CPI's stock price. The reference range was \$9.27 to \$16.20 for the 52-week trading range ending November 19, 2010, as compared to the per share merger consideration of \$19.50. J.P. Morgan also reviewed the 3-months and 6-months volume-weighted average price (referred to in this section as VWAP) of CPI's stock price. Specifically, the reference VWAPs were \$14.05 for the 3-months trading range ending November 19, 2010 and \$14.49 for the 6-months trading range ending November 19, 2010.

J.P. Morgan noted that all of the foregoing analyses are not valuation methodologies and that such analyses were presented merely for reference purposes.

Selected Publicly Traded Companies

Using publicly available information, J.P. Morgan compared selected financial performance data of CPI with similar data for selected publicly traded companies engaged in businesses which J.P. Morgan deemed relevant to CPI's business. The companies selected by J.P. Morgan were as follows:

Comtech Telecommunications Corp.;

Cubic Corporation;

EMS Technologies, Inc.;

Globecomm Systems Inc.;

Harris Corporation;

Herley Industries, Inc.;

L-3 Communications Corporation;

Rockwell Collins, Inc.; and

ViaSat, Inc.

These companies were selected, among other reasons, because they share similar business characteristics to CPI based on operational and financial metrics as well as business sector participation.

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In all instances, the multiples for CPI and each of the selected companies were based on closing stock prices on November 19, 2010. For each of the following analyses performed by J.P. Morgan, financial data for selected companies were based on the selected companies' filings with the Securities and Exchange Commission (the "SEC") and publicly available Wall Street research analysts' estimates.

For each of the selected companies, J.P. Morgan calculated (i) the company's firm value ("Firm Value") divided by its estimated earnings before interest, taxes, depreciation and amortization (referred to in this proxy statement as EBITDA), for calendar years 2011 and 2012, which are referred to as

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Firm Value/2011E EBITDA Multiple and Firm Value/2012E EBITDA Multiple, respectively, and (ii) the per share closing price of such company's common stock divided by the estimated earnings per share (referred to in this proxy statement as EPS) for calendar years 2011 and 2012, which are referred to as Price/2011E Earnings Multiple and Price/2012E Earnings Multiple, respectively. For the purpose of this analysis, Firm Value of a particular company was calculated as market value of such company's outstanding common stock (as of November 19, 2010) plus the value of such company's indebtedness and minority interests, in-the-money options and warrants, net of option proceeds, and preferred stock, minus such company's cash, cash equivalents and marketable securities.

The analysis indicated the following low, high, mean and median Firm Value and stock price multiples:

	Firm Value/ 2011 EBITDA	Firm Value/ 2012 EBITDA	Price per Share/ 2011 EPS	Price per Share/ 2012 EPS
Low	3.7x	4.1x	8.6x	8.0x
High	10.0x	7.5x	26.3x	20.3x
Median	6.2x	6.2x	14.0x	12.1x
Mean	6.6x	6.2x	14.8x	13.2x

Based on the results of this analysis and on other factors J.P. Morgan considered appropriate, J.P. Morgan applied (i) a Firm Value/2011E EBITDA ratio range of 6.0x to 7.5x and a Firm Value/2012E EBITDA ratio range of 5.5x to 7.0x and (ii) a Price/2011E Earnings Multiple range of 11.0x to 16.0x and a Price/2012E Earnings Multiple range of 10.0x to 14.0x to CPI's management projections of CPI's 2011 and 2012 EBITDA and EPS, respectively, and derived the following implied per share equity value ranges for CPI's common stock, as compared to the value of the per share merger consideration (rounded to the nearest \$0.25):

Valuation Basis	Implied per Share Equity Value Range	Per Share Merger Consideration
Firm Value as multiple of 2011E EBITDA	\$11.50 to \$16.00	
Firm Value as multiple of 2012E EBITDA	\$11.75 to \$16.75	\$ 19.50
Firm Value as multiple of 2011E EPS	\$13.50 to \$19.75	
Firm Value as multiple of 2012E EPS	\$14.00 to \$19.75	

No company used in this analysis is identical or directly comparable to CPI. Accordingly, an evaluation of the results of this analysis necessarily involves complex considerations and judgments concerning differences in financial, operating, and business sector characteristics, and other factors that could affect the public trading or other values of the companies to which CPI is compared.

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Using publicly available information, J.P. Morgan examined the following selected transactions involving companies or businesses which J.P. Morgan judged to be analogous or similar to CPI's business.

Acquiror	Target	Announcement Date
Comtech Telecommunications Corp.	CPI(1)	05/10/10
Crane Co.	Merrimac Industries, Inc.	12/23/09
Cobham plc	M/A-Com. Technology Solutions	05/13/08
Comtech Telecommunications Corp.	Radyne Corporation	05/12/08
	Surveillance and Attack Business (BAE	
Cobham plc	Systems)	12/19/07
Veritas Capital	Aeroflex, Inc.	05/25/07
Cobham plc	Remec Defense & Space Unit	12/21/04
Cypress Group	Communications & Power Industries, Inc.	12/01/03
Crane Co.	Signal Technology Corporation	04/16/03

(1) Memo only, not used in valuation analysis; transaction withdrawn

For each of the selected transactions, to the extent information was publicly available, J.P. Morgan calculated the target's firm value implied by the transaction divided by its EBITDA for the last twelve month period, which is referred to in proxy statement as LTM EBITDA, prior to announcement of the transaction. The analysis indicated the following:

Transaction Group	Low	High	Median
Firm Value/LTM EBITDA	5.8x	11.7x	9.1x

Based on the results of this analysis and other factors that J.P. Morgan considered appropriate, J.P. Morgan applied the range of 7.5x to 9.5x LTM EBITDA multiples to CPI's LTM EBITDA and derived an implied per share equity value range for CPI's common stock of \$14.75 to \$20.50.

No company, business or transaction used in this analysis is identical or directly comparable to CPI or the merger. Accordingly, an evaluation of the results of this analysis necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the acquisition or other values of the companies, business segments or transactions to which CPI and the merger were compared.

Discounted Cash Flow Analysis

J.P. Morgan conducted a discounted cash flow analysis for CPI for the purpose of determining an implied fully diluted equity value per share for CPI's common stock. A discounted cash flow analysis is a method of evaluating an asset using estimates of the future unlevered free cash flows generated by assets and taking into consideration the time value of money with respect to those future cash flows by calculating their "present value." "Present value" refers to the current value of one or more future unlevered free cash flows from the asset, which J.P. Morgan refers to as that asset's cash flows, and is obtained by discounting those cash flows back to the present using a discount rate that takes into account macro-economic assumptions and estimates of risk, the opportunity cost of capital, capitalized returns and other appropriate factors. "Terminal value" refers to the capitalized value of all cash flows from an asset for periods beyond the final forecast period.

J.P. Morgan calculated the value of the standalone, unlevered free cash flows that CPI is expected to generate from January 1, 2011 through September 30, 2015 based upon CPI Management Estimates and the value of the unlevered free cash flows that CPI is expected to generate from October 1, 2015

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through September 30, 2020 based upon extrapolations reviewed and approved by CPI's management, calculated assuming that the projected unlevered free cash flows for both periods occur at the middle of each annual period, and then discounted such cash flows to present value as of December 31, 2010 using a range of discount rates from 10.5% to 11.5%. This range of discount rates was chosen by J.P. Morgan based upon an analysis of the weighted average cost of capital of CPI which included, among other considerations, an analysis of the cost of equity and cost of debt of CPI using publicly available information and J.P. Morgan's judgment. J.P. Morgan also calculated a range of Terminal Values for CPI, as of September 30, 2020, by applying a perpetual revenue growth rate ranging from 2.0% to 3.0%. These Terminal Values were discounted to present value as of December 31, 2010 using a range of discount rates from 10.5% to 11.5% for the reasons noted above.

The implied per share equity value range of CPI's common stock that J.P. Morgan derived from such analyses, as compared to the implied price per share in the merger is set forth below (rounded to the nearest \$0.25):

Implied Per Share Equity Value Range	Per Share Merger Consideration
\$16.25 to \$21.00	\$19.50

The foregoing summary of the material financial analyses does not purport to be a complete description of the analyses or data presented or considered by J.P. Morgan. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. J.P. Morgan believes that the foregoing summary and its analyses must be considered as a whole and that selecting portions of the foregoing summary and these analyses, without considering all of its analyses as a whole, could create an incomplete view of the processes underlying the analyses and its opinion. As a result, the ranges of valuations resulting from any particular analysis or combination of analyses described above were merely utilized to create points of reference for analytical purposes and should not be taken to be the view of J.P. Morgan with respect to the actual value of CPI. In arriving at its opinion, J.P. Morgan reviewed various financial and operational metrics for CPI, including forecasts with respect to CPI, which were made available to J.P. Morgan by or on behalf of CPI. In arriving at its opinion, J.P. Morgan did not attribute any particular weight to any analyses or factors considered by it and did not form an opinion as to whether any individual analysis or factor (positive or negative), considered in isolation, supported or failed to support its opinion. Rather, J.P. Morgan considered the totality of the factors and analyses performed in determining its opinion. Analyses based upon forecasts of future results are inherently uncertain, as they are subject to numerous factors or events beyond the control of the parties and their advisors. Accordingly, forecasts and analyses used or made by J.P. Morgan are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by those analyses. Moreover, J.P. Morgan's analyses are not and do not purport to be appraisals or otherwise reflective of the prices at which businesses actually could be bought or sold. The consideration and other terms of the merger were determined through arm's-length negotiations between CPI and Parent. None of the selected companies reviewed as described in the above summary is identical to CPI, and none of the selected transactions reviewed was identical to the merger. However, the companies selected were chosen because they are publicly traded companies with operations and businesses that, for purposes of J.P. Morgan's analysis, may be considered similar to those of CPI. The transactions selected were similarly chosen because their participants, size and other factors, for purposes of J.P. Morgan's analysis, may be considered similar to the merger. The analyses necessarily involve complex considerations and judgments concerning differences in financial and operational characteristics of the companies involved and other factors that could affect the companies compared to CPI and the transactions compared to the merger.

As a part of its investment banking business, J.P. Morgan and its affiliates are continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, secondary distributions of listed

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and unlisted securities, private placements, and valuations for estate, corporate and other purposes. J.P. Morgan was selected on the basis of such experience and its familiarity with CPI and other companies in the industries in which they operate to advise CPI in connection with a potential transaction such as the merger and to potentially deliver a fairness opinion to the board of directors of CPI addressing the fairness from a financial point of view of the consideration in such a transaction to the holders of common stock of CPI as of the date of such opinion.

For services rendered in connection with the merger (including the delivery of an opinion relating to the transaction between CPI and Comtech Telecommunications Corp., which was not completed, and a second opinion in connection with the merger), CPI has agreed to pay J.P. Morgan a fee estimated to be approximately \$5 million, \$2.9 million of which will become payable only if the merger is consummated. Finally, CPI has agreed to reimburse J.P. Morgan for certain expenses incurred in connection with its services, including the fees and disbursements of counsel, and will indemnify J.P. Morgan against certain liabilities, including liabilities arising under the federal securities laws.

During the two years preceding the date of the J.P. Morgan opinion, J.P. Morgan and its affiliates have had commercial or investment banking relationships with CPI, the Cypress Group (the majority shareholder of CPI), Veritas Capital and certain of Veritas Capital's portfolio companies for which J.P. Morgan and such affiliates have received customary compensation or other financial benefits. In particular, J.P. Morgan (i) has received approximately \$8 million in fees from the Cypress Group and its affiliates and (ii) has earned or received an aggregate amount of fees equal to approximately \$6 million from Veritas Capital and its affiliates, in each case, for services performed in 2009 and through November 24, 2010. Such commercial or investment banking relationships included, during the last two years, acting as joint bookrunner of an offering of debt securities by Affinia Group Inc. (a portfolio company of the Cypress Group, "Affinia") in August 2009, as a joint bookrunner of the initial public offering of common stock by Aeroflex (a portfolio company of Veritas Capital, "Aeroflex") in November 2010 and as lead arranger and bookrunner of the debt financing of Veritas Capital's announced acquisition of a business of Lockheed Martin in November 2010. In addition, J.P. Morgan is currently acting as a joint bookrunner of the proposed initial public offering of common stock by Affinia Group Holdings Inc. (the parent company of Affinia) which is currently in registration with the SEC. In addition, J.P. Morgan's commercial bank affiliate provides cash management and other treasury and securities services to portfolio companies of Veritas Capital, including Aeroflex. In the ordinary course of its businesses, J.P. Morgan and its affiliates may actively trade the debt and equity securities of CPI, Veritas Capital or Veritas Capital's portfolio companies for their own accounts or for the accounts of customers and, accordingly, they may at any time hold long or short positions in such securities.

Opinion of Moelis & Company LLC

Pursuant to a letter agreement dated April 7, 2010, CPI engaged Moelis to act as financial advisor to the special committee of CPI's board of directors in connection with the merger or combination of CPI with a third party, or a third party's acquisition of all or substantially all of CPI's assets, properties or business. Subsequently, the special committee asked Moelis to provide it with an opinion as to the fairness, from a financial point of view, to CPI's stockholders (other than The Cypress Group and its affiliates, Parent, Merger Sub or any other wholly-owned subsidiary of Parent to the extent any such entities own shares of CPI common stock, collectively referred to herein as the excluded entities) of the \$19.50 in cash per CPI share to be received by such stockholders in the merger.

On November 24, 2010, at a meeting of the special committee and the board of directors held to evaluate the merger agreement and the transactions contemplated thereby, Moelis delivered its oral opinion directed to the special committee, subsequently confirmed by delivery of a written opinion dated November 24, 2010, that, based upon and subject to the various factors, assumptions, limitations and qualifications set forth in the opinion, as of the date of the opinion, the \$19.50 in cash per CPI share to be received by CPI's stockholders in the merger is fair, from a financial point of view, to CPI's stockholders (other than the excluded entities).

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The full text of Moelis' opinion to the special committee is attached as Annex E to this proxy statement and is incorporated herein by reference. This summary is qualified in its entirety by reference to the full text of the opinion. The full text of the opinion describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken by Moelis in connection with such opinion. Stockholders are encouraged to read the opinion carefully and in its entirety.

Moelis' opinion is directed to the special committee of CPI's board of directors and addresses only the fairness from a financial point of view of the \$19.50 in cash per CPI share to be received by CPI stockholders (other than the excluded entities). The special committee has not asked Moelis to address, and its opinion does not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of CPI, other than the holders of CPI common stock.

Moelis' opinion does not address CPI's underlying business decision to effect the transactions contemplated by the merger agreement or the relative merits of the merger as compared to any alternative business strategies or transactions that might be available to CPI, and it does not constitute a recommendation to any CPI stockholder as to how such stockholder should vote with respect to the merger or any other matter. At the direction of the special committee, Moelis was not asked to, nor did it, offer any opinion as to the material terms of the merger agreement or the form of the merger.

In addition, Moelis did not express any opinion as to the fairness of the amount or nature of any compensation to be received by any of CPI's officers, directors or employees, or any class of such persons, relative to the merger consideration.

Moelis' opinion is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Moelis as of, the date of Moelis' opinion. Subsequent developments may affect Moelis' opinion and Moelis does not have any obligation to update, revise or reaffirm its opinion. Moelis has also assumed, with the consent of the special committee, that all governmental, regulatory or other consents and approvals necessary for the consummation of the merger will be obtained without any adverse effect on the expected benefits of the merger.

Moelis has also assumed, with the consent of the special committee, that the final executed form of the merger agreement does not differ in any material respect from the substantially final draft that Moelis examined, and that Parent and CPI will comply with all the material terms of the merger agreement without amendment thereto and all conditions to the consummation of the merger will be satisfied without waiver by any party of the conditions or obligations thereto. The opinion was approved by a Moelis fairness opinion committee.

In arriving at the conclusions reached in its opinion, Moelis has, among other things:

reviewed certain publicly available business and financial information relating to CPI that Moelis deemed relevant;

reviewed certain internal information relating to the business, including financial forecasts, earnings, cash flow, assets, liabilities and prospects of CPI, furnished to Moelis by CPI;

conducted discussions with members of senior management and representatives of CPI and Parent concerning the matters described in the foregoing bullets;

reviewed publicly available financial and stock market data, including valuation multiples, for CPI and compared them with those of certain other companies in lines of business that Moelis deemed relevant;

compared the proposed financial terms of the merger with the financial terms of certain other transactions that Moelis deemed relevant;

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reviewed a substantially final draft of the merger agreement, dated November 24, 2010, and a substantially final draft of the of the voting agreement, dated November 24, 2010;

participated in certain discussions and negotiations among representatives of CPI and Parent and their financial and legal advisors; and

conducted such other financial studies and analyses and took into account such other information as Moelis deemed appropriate.

In connection with its review, Moelis did not assume any responsibility for independent verification of any of the information supplied to, discussed with, or reviewed by it for the purpose of its opinion and, with the consent of the special committee, relied on such information being complete and accurate in all material respects. In addition, at the direction of the special committee, Moelis has not made any independent evaluation or appraisal of any of the assets or liabilities (contingent, derivative, off-balance-sheet or otherwise) of CPI, nor has Moelis been furnished with any such evaluation or appraisal. With respect to the forecasted financial information referred to above, Moelis assumed, with the consent of the special committee, that such information was reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of CPI as to the future performance of CPI. Moelis was not requested to, and did not, express any opinion regarding any legal, regulatory, tax, accounting or financial reporting matters, including the tax effect of the merger on CPI or its stockholders.

Financial Analyses

The following is a summary of the material financial analyses presented by Moelis to the special committee at its meeting held on November 24, 2010 in connection with the delivery of the oral opinion of Moelis at such meeting and its subsequent delivery of a written opinion, dated November 24, 2010.

The summary set forth below does not purport to be a complete description of the analyses performed and factors considered by Moelis in arriving at its opinion. The preparation of a fairness opinion is a complex process involving various determinations and subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, such a process is not readily susceptible to partial analysis or summary description. With respect to the comparable public companies analysis and the precedent transactions analysis summarized below, no company, business or transaction used in such analyses as a comparison is either identical or directly comparable to CPI or the merger, nor is an evaluation of such analyses entirely mathematical. These analyses necessarily involve complex considerations and judgments concerning financial and operating characteristics and other factors.

Moelis did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis for purposes of its opinion, nor did Moelis attribute any particular weight to any analysis or factor, but rather arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole, and believes that the totality of the factors considered and analyses it performed in connection with its opinion operated collectively to support its determination as to the fairness from a financial point of view as of the date of its opinion of the per share merger consideration to be received by the CPI stockholders, other than the excluded entities.

Some of the summaries of the financial analyses below include information presented in tabular format. In order to fully understand Moelis' analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the analyses performed by Moelis. Considering the data described below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Moelis' analyses.

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The analyses performed by Moelis include analyses based upon forecasts of future results, which results might be significantly more or less favorable than those upon which Moelis' analyses were based (for additional information regarding the financial forecasts provided by CPI to Moelis, see "The Merger Certain Illustrative Financial Projections Provided by CPI", beginning on page [] of this proxy statement). The analyses do not purport to be appraisals or to reflect the prices at which CPI's shares of common stock might trade at any time following the announcement of the merger. Because the analyses are inherently subject to uncertainty, being based upon numerous factors and events, including, without limitation, factors relating to general economic and competitive conditions beyond the control of the parties or their respective advisors, neither Moelis nor any other person assumes responsibility if future results or actual values are materially different from those contemplated below.

Comparable Public Companies Analysis

Moelis compared certain financial information of CPI with corresponding financial information of similar publicly traded companies.

Moelis selected publicly traded companies that shared similar characteristics with CPI's business, operations and size, and for which relevant financial information was publicly available. The list of selected companies is set forth below:

Anaren, Inc.;

Comtech Telecommunications Corp.;

e2v Technologies plc;

EMS Technologies, Inc.;

Globecomm Systems Inc.;

Herley Industries, Inc.;

Spectrum Control, Inc.; and

Teledyne Technologies Incorporated.

As part of its comparable public companies analysis, Moelis calculated and analyzed each selected company's ratio of its enterprise value (calculated as fully diluted equity value based on closing stock prices as of November 24, 2010, including in-the-money stock options and in-the-money convertible preferred stock or debt, plus debt, minority interest, preferred stock and out-of-the money convertibles, less cash as of each company's most recently reported quarter end) to EBITDA for the most recent reported latest twelve months, or LTM, and estimated calendar years 2010 and 2011, each of which is referred to in this section as CY2010 and CY2011 based on consensus analyst estimates compiled by Thomson Reuters. In addition, Moelis calculated and analyzed each selected company's ratio of its equity value to its estimated earnings for CY2010 and CY2011, also based on such analyst estimates (in each case Comtech was excluded from the calculations). The following summarizes the results of these calculations:

	Low	High	Mean	Median
Enterprise Value/EBITDA				
LTM	6.2x	8.7x	7.6x	7.5x
CY2010E	5.9x	7.6x	7.2x	7.4x
CY2011E	5.1x	6.9x	6.1x	6.4x
Equity Value/Earnings				

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CY2010E	11.4x	30.5x	17.6x	14.0x
CY2011E	9.6x	15.9x	12.9x	12.8x

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Moelis selected multiple ranges for each metric based on the foregoing and in consideration of CPI's business, operations and size relative to its peers. Moelis used selected ranges of 7.0x - 8.0x, 6.5x - 7.5x and 6.0x - 7.0x for enterprise value as a multiple of LTM EBITDA, CY2010 estimated EBITDA and CY2011 estimated EBITDA, respectively. Moelis used selected ranges of 12.5x - 14.5x and 11.0x - 14.0x for equity value as a multiple of CY2010 estimated earnings and CY2011 estimated earnings, respectively. Moelis applied the selected ranges to the relevant statistics for CPI using projections for CY2010 estimated EBITDA and earnings and CY2011 estimated EBITDA and earnings prepared by CPI management and calculated an implied range of CPI common stock prices. This resulted in a valuation range for CPI of \$12.59 to \$17.83 per share of common stock.

Precedent Transactions Analysis

Moelis compared selected financial and transaction metrics of CPI and the merger with similar data of relevant transactions in the defense technologies sectors. Moelis concluded that the most comparable of these transactions as determined by growth, operating metrics and market environment were Crane Co.'s acquisition of Merrimac Industries, Inc., Cobham plc's acquisition of M/A Com (a subsidiary of Tyco), and Cypress Holdings' acquisition of Communications and Power Industries, Inc.

For each of the precedent transactions, Moelis calculated valuation multiples based on information that was publicly available, focusing on the ratios of enterprise value to EBITDA for the identified target company for the last reported LTM period as of the announcement date of the transaction.

Date Announced	Acquiror	Target
10/13/10	Gilat Satellite Networks	Wavestream
03/30/10	Microsemi Corporation	White Electronics Designs Corporation
12/23/09	Crane Co.	Merrimac Industries, Inc.*
04/01/09	Rockwell Collins, Inc.	DataPath, Inc.
05/13/08	Cobham plc	M/A-Com Technology Solutions (Subsidiary of Tyco)*
05/10/08	Comtech Telecommunications Corp.	Radyne Corporation
06/15/07	AVX Corp.	American Technological Ceramics Corp.
05/22/07	Veritas Capital	Aeroflex Inc.
03/03/05	Radyne Corporation	Xicom Technology, Inc.
12/20/04	Cobham plc	REMEC Defense & Space
07/08/04	Teledyne	Celeritek Defense Electronic Business
04/24/04	Smiths Group	TRAK Communications Inc.
11/17/03	Cypress Holdings	Communications and Power Industries, Inc. (the operating subsidiary of CPI)*
04/16/03	Crane Co.	Signal Technology Corporation

All Precedent Transactions**:	Enterprise Value/LTM EBITDA
Low	6.2x
High	14.9x
Mean	10.0x
Median	10.1x

Most Comparable Precedent Transactions	
Low	6.2x
High	7.5x
Mean	6.8x
Median	6.8x

*
Most comparable precedent transactions.

**

Excludes Radyne acquisition of Xicom due to the fact that Xicom did not have material EBITDA.

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Based on the foregoing precedent transactions analysis, and certain qualitative judgments, Moelis selected a range of 6.5x 8.5x for enterprise value as a multiple of LTM EBITDA and derived a valuation range for CPI of \$13.17 to \$19.34 per share.

Discounted Cash Flow Analysis

Moelis conducted a discounted cash flow, or DCF, analysis of CPI to calculate a range of implied equity values for CPI. A DCF analysis is a method of evaluating an asset using estimates of the future unlevered free cash flows generated by assets and taking into consideration the time value of money with respect to those future cash flows by calculating their "present value." "Present value" refers to the current value of one or more future cash payments for the asset, which Moelis refers to as that asset's free cash flows, and is obtained by discounting those free cash flows back to the present using a discount rate that takes into account macro-economic assumptions and estimates of risk, the opportunity costs of capital, capitalized returns and other appropriate factors. "Terminal value" refers to the value of all free cash flows from an asset for periods beyond the final forecast period.

Using projections provided by CPI management, Moelis performed a DCF analysis utilizing the after-tax unlevered free cash flows for the nine month period ended September 30, 2011 and the fiscal years 2012 to 2014, using discount rates ranging from 11.5% to 14.0%, which was based upon a number of factors, including the weighted average cost of capital of CPI and comparable companies, as well as market factors that Moelis deemed appropriate to include. The terminal value was then calculated using a perpetuity growth range of 3.00% to 4.00%.

Based on the foregoing, Moelis derived a valuation range of \$12.77 to \$21.18 per share of CPI common stock.

Other Information

The consideration to be paid pursuant to the merger agreement was determined through arm's-length negotiations between CPI and Parent and was approved by CPI's board of directors and Parent's board of directors. Moelis provided advice to the special committee of the CPI board of directors during these negotiations, however, Moelis did not recommend any specific consideration to the special committee or suggest that any specific consideration constituted the only appropriate consideration for a transaction.

The merger consideration was determined through negotiations among CPI and its representatives, on the one hand, and Parent and its representatives, on the other hand, and the decision by the CPI board of directors and the special committee to approve, adopt and authorize the merger agreement was solely that of each of the CPI board of directors and the special committee. The Moelis opinion and financial analyses, taken together, represented only one of many factors considered by each of the CPI board of directors and the special committee in its evaluation of the merger and was not determinative of the views of the CPI board of directors, the special committee or CPI management with respect to the merger, the merger consideration or whether the CPI board of directors or special committee would have been willing to agree to different merger consideration.

Pursuant to the terms of Moelis' engagement as financial advisor to the special committee, CPI agreed to pay Moelis a retainer fee of up to \$250,000, which would be offset on a one-time basis against the opinion fee of \$800,000, which became payable upon the delivery of the Moelis opinion delivered in connection with the merger agreement between CPI and Comtech, regardless of the conclusion reached in such opinion. Pursuant to the terms of the engagement, CPI has also agreed to pay an opinion fee of \$400,000 for each such subsequent opinion promptly upon Moelis having completed the customary work that is appropriate to render each such opinion, regardless of the conclusion reached in such opinion, and any such subsequent opinion fee would be credited against the

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subsequent transaction fee referenced below. In addition, CPI has agreed to pay Moelis a nonrefundable post-signing retainer fee of \$150,000, payable promptly upon CPI's decision to solicit alternative proposals to the merger agreement during the term of its engagement with Moelis. Any payment made in connection with such post-signing retainer fee would be credited against the subsequent transaction fee described below.

Pursuant to the terms of the engagement, CPI has also agreed to pay Moelis a transaction fee equal to 2.0% of the excess of the transaction value of the merger over the transaction value determined with respect to the Comtech merger, which is expected to be approximately \$1.2 million.

In addition, CPI has agreed to indemnify Moelis for certain liabilities arising out of and reimburse Moelis for certain expenses in connection with its engagement.

The special committee retained Moelis based upon Moelis' experience and knowledge. Moelis is an investment banking enterprise with substantial experience in transactions similar to the merger. Moelis, as part of its investment banking business, is continually engaged in the valuation of businesses and securities in connection with business combinations and acquisitions and for other purposes. In the past, Moelis has provided investment banking and other services to affiliates of Parent, including acting as a co-manager for the initial public offering of common stock of Aeroflex Holding Corp., a company partially-owned by an affiliate of Parent. Moelis is expected to receive approximately \$334,000 for the rendering of such services.

Although representatives of Moelis were present at meetings where J.P. Morgan discussed its analysis and findings with the CPI board of directors during November of 2010, each of Moelis and J.P. Morgan conducted its analysis independently in connection with formulating its fairness opinion.

Certain Illustrative Financial Projections Provided by CPI

CPI does not, as a matter of course, publicly disclose forecasts as to future financial performance, earnings or other results and is especially cautious of making forecasts for extended periods due to the unpredictability of the underlying assumptions and estimates. However, in connection with the evaluation of a possible transaction involving CPI, CPI provided its advisors, the CPI board of directors, the special committee, the special committee's advisors and Parent certain non-public forecasts, as described in more detail below, that were prepared by management of CPI and not for public disclosure, including certain illustrative financial projections on a standalone basis.

The illustrative financial projections presented below have been prepared by, and are the responsibility of, the management of CPI. The illustrative financial projections were not prepared in connection with a detailed analysis of the fundamentals of CPI's business and assets. For more information, including with respect to CPI's business and assets, see the section titled "Where you Can Find More Information" beginning on page [] of this proxy statement.

The summary of the illustrative financial projections is included in this proxy statement only because this information was exchanged between CPI and its advisors, the CPI board of directors, the special committee, the special committee's advisors and Parent in connection with the merger and it is not being included in this proxy statement for the purpose of influencing your decision whether to vote for the adoption of the merger agreement. The inclusion of the summary of illustrative financial projections should not be regarded as an indication that any of CPI, its affiliates, its advisors, the CPI board of directors, the special committee, the special committee's advisors, Parent or any other person considered, or now considers, the illustrative financial projections to be material or to be a reliable prediction of actual future results, and these illustrative financial projections should not be relied upon as such. Such illustrative financial projections were neither prepared with a view to public disclosure, nor were such projections prepared in compliance with published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation

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of financial forecasts, or generally accepted accounting principles, or GAAP. CPI's independent public registered accounting firm has not audited, examined, compiled or performed any procedures with respect to any of the illustrative financial projections, and does not express any conclusion or any form of assurance with respect to such illustrative financial projections and, accordingly, assumes no responsibility for them.

CPI cautions you that the illustrative financial projections are speculative in nature and based upon subjective decisions and assumptions. Since the illustrative financial projections cover multiple years, such information by its nature becomes less meaningful and reliable with each successive year. The illustrative financial projections were prepared as of September 21, 2010 and do not reflect actual results through CPI's recent quarter ended October 1, 2010. Such projections do not reflect revised prospects for CPI's business, changes in general business or economic conditions, or any other transaction or event that has occurred or that may occur and that was not anticipated at the time the forecasts were prepared. Further, the illustrative financial projections do not give effect to the transactions contemplated by the merger agreement, including the merger. Accordingly, there can be no assurance that the results reflected in the illustrative financial projections will be realized, and actual results may vary materially from those reflected in such illustrative financial projections. As a result, the inclusion of the illustrative financial projections in this proxy statement should not be relied on as necessarily predictive of actual future events.

While presented with numerical specificity, the illustrative financial projections are necessarily based on numerous variables and assumptions that are inherently uncertain and many of which are beyond the control of CPI's management. The illustrative financial projections are intended to show the impact of a given revenue and EBITDA growth rate for illustrative purposes only. The assumptions upon which the illustrative financial projections were based necessarily involve judgments with respect to, among other things, future industry performance and competition, general business, economic, market and financial conditions, or any additional matters specific to CPI's businesses, all of which are difficult to predict accurately and many of which are beyond CPI's control. The illustrative financial projections also reflect assumptions as to certain business decisions that are subject to change. The foregoing illustrative assumptions are likely to be different than actual results for any number of reasons, including general economic conditions, competition and the risk factors found under Part I, Item 1A, "Risk Factors" in CPI's Annual Report on Form 10-K for the fiscal year ended October 1, 2010. Accordingly, there can be no assurance that the illustrative financial projections will be realized and actual results may vary materially from those shown.

In light of the foregoing and the uncertainties inherent in the illustrative financial projections, shareholders are cautioned not to place undue, if any, reliance on such projections. Important factors that may affect actual results and cause these illustrative financial projections to not be achieved include, but are not limited to, risks and uncertainties relating to CPI's business (including its ability to achieve strategic goals, objectives and targets over the applicable periods), industry performance, regulatory environment, general business and economic conditions among numerous other factors. You should read the section entitled "Cautionary Statement Regarding Forward-Looking Statements" beginning on page [] of this proxy statement for additional information regarding the risks inherent in forward-looking information such as the illustrative financial projections.

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The following projected financial data for CPI on a standalone basis was provided by CPI management to CPI's advisors, the CPI board of directors, the special committee, the special committee's advisors and Parent:

	FY2011E	FY2012E	FY2013E	FY2014E	FY2015E
	(In millions)				
Revenue	\$ 383.0	\$ 409.5	\$ 434.6	\$ 465.4	\$ 493.9
EBITDA*	60.3	67.2	72.7	80.9	88.1

*

Earnings before interest, taxes, depreciation and amortization. Also excludes charges related to the extinguishment of debt and strategic alternative transaction expenses which include fees and expenses for investment bankers, attorneys and other professional services.

The illustrative financial projections were based on financial projections prepared by CPI in September 2010.

Readers of this proxy statement are cautioned not to place any reliance on the summary of the illustrative financial projections set forth above. No representation is made by CPI, Parent or any other person to any stockholder of CPI or any other person regarding the ultimate performance of CPI compared to the information included in the above summary of the illustrative financial projections. The inclusion of the summary of the illustrative financial projections in this proxy statement should not be regarded as an indication that such illustrative financial projections will be an accurate prediction of future events nor construed as financial guidance, and they should not be relied on as such. CPI has made no representation to its financial advisors, Parent or any other person concerning the projected financial data.

NEITHER CPI NOR ANY OF ITS AFFILIATES, ADVISORS, OFFICERS, DIRECTORS OR REPRESENTATIVES CAN GIVE ANY ASSURANCE THAT ACTUAL RESULTS WILL NOT DIFFER FROM THE ILLUSTRATIVE FINANCIAL PROJECTIONS, AND NONE OF THEM UNDERTAKES ANY OBLIGATION TO UPDATE OR OTHERWISE REVISE OR RECONCILE THE ILLUSTRATIVE FINANCIAL PROJECTIONS TO REFLECT CIRCUMSTANCES EXISTING AFTER THE DATE SUCH PROJECTIONS WERE GENERATED OR TO REFLECT THE OCCURRENCE OF FUTURE EVENTS EVEN IN THE EVENT THAT ANY OR ALL OF THE ASSUMPTIONS UNDERLYING SUCH PROJECTIONS ARE SHOWN TO BE IN ERROR. CPI DOES NOT INTEND TO MAKE PUBLICLY AVAILABLE ANY UPDATE OR OTHER REVISION TO THE ILLUSTRATIVE FINANCIAL PROJECTIONS, EXCEPT AS OTHERWISE REQUIRED BY LAW.

Regulatory Approvals Required for the Merger

General

Each of Parent's, CPI's and Merger Sub's obligation to effect the merger is conditioned upon, among other things, the expiration or termination of the applicable waiting period under the HSR Act. See "The Merger Agreement Conditions to the Completion of the Merger" beginning on page [] of this proxy statement.

Department of Justice, Federal Trade Commission and Other U.S. Antitrust Authorities

Under the HSR Act and the rules and regulations promulgated thereunder, certain transactions, including the merger, may not be consummated unless certain waiting period requirements have expired or been terminated. The HSR Act provides that each party (and, as applicable, their ultimate

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parent entities) must file a pre-merger notification with the Federal Trade Commission (the "FTC"), and the Antitrust Division of the Department of Justice (the "DOJ"). A transaction notifiable under the HSR Act may not be completed until the expiration of a 30-calendar-day waiting period following the parties' filing of their respective HSR Act notification forms or the early termination of that waiting period. If the DOJ or the FTC issues a Request for Additional Information and Documentary Material ("Second Request") prior to the expiration of the initial waiting period, the parties must observe a second 30-day waiting period, which would begin to run only after both parties have substantially complied with the Second Request, unless the waiting period is terminated earlier.

CPI and Parent (and, as applicable, its ultimate parent entities) have filed their required HSR notification forms and the regulatory review is underway.

Notwithstanding such expiration, at any time before or after the merger is completed, either the DOJ or the FTC could take action under the antitrust laws in opposition to the merger, including seeking to enjoin completion of the merger, condition approval of the merger upon the divestiture of assets of Parent, CPI or their subsidiaries or impose restrictions on Parent's post-merger operations. In addition, U.S. state attorneys general could take action under the antitrust laws as they deem necessary or desirable in the public interest including, without limitation, seeking to enjoin the completion of the merger or permitting completion subject to regulatory concessions or conditions. Private parties may also seek to take legal action under the antitrust laws under some circumstances.

Non-U.S. Antitrust Approvals

Canadian Competition Act

Under the Canadian Competition Act and the regulations promulgated thereunder, certain transactions ("Notifiable Transactions") may not be consummated unless certain waiting periods have expired or been terminated. The Canadian Competition Act provides that the parties to a Notifiable Transaction must submit a pre-merger notification to the Commissioner of Competition. A Notifiable Transaction may not be completed until the expiration of a 30-calendar-day waiting period following the parties' filing of the Competition Act notification. If the Commissioner of Competition issues a Supplementary Information Request (SIR) during the 30-calendar-day waiting period, the parties must observe a second 30-calendar-day waiting period, which would begin to run only after both parties have submitted the information required pursuant to the SIR. The Commissioner of Competition can terminate either waiting period by issuing a letter notifying the parties that she does not, at that time, intend to challenge the transaction by making an application to the Competition Tribunal under section 92 of the Competition Act (a "No Action Letter").

Alternatively, or in addition to filing a pre-merger notification, the parties to a transaction may apply to the Commissioner of Competition for an advance ruling certificate (an "ARC"), or, in the alternative, request a No-Action Letter and a waiver of the notification requirements under the Canadian Competition Act. Upon the issuance of an ARC or a No-Action Letter (provided the Commissioner of Competition waives the requirement for a pre-merger notification if one has not been submitted), the parties to a transaction are legally entitled to complete their transaction.

CPI and Parent will file a request for an ARC with the Commissioner of Competition in connection with the merger.

Notwithstanding the receipt of a no-action letter or the expiry of the waiting periods under the Canadian Competition Act, at any time before or up to one year after the merger is completed, the Commissioner of Competition could seek an order from the Competition Tribunal in respect of the merger, including an order enjoining completion of the merger, conditioning approval of the merger upon the divestiture of assets of Parent, CPI or their subsidiaries, or imposing restrictions on Parent's post-merger operations. If the Commissioner of Competition issues an ARC in connection with the merger, the Commissioner of Competition cannot, if the merger is completed within one year after the certificate is issued, seek an order from the Competition Tribunal in respect of the merger solely on the basis of information that is the same, or substantially the same, as the information on the basis of which the ARC was issued.

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Investment Canada Act

Under the Investment Canada Act, subject to certain limited exceptions, an acquisition of control of a Canadian business by a non-Canadian is subject to an application for review or a notification. If an application for review is required, the acquisition cannot be implemented unless the transaction has been reviewed by the responsible Minister and the Minister is satisfied or deemed to be satisfied that the transaction is likely to be of net benefit to Canada. The merger is an indirect acquisition of control of a Canadian business by a WTO Investor (as defined under the Investment Canada Act) and falls below the threshold for review. Therefore, the merger is subject to a notification by Parent which can be made post-closing.

In addition, under Part IV.1 of the Investment Canada Act, prior to completion of an acquisition in whole or in part, by a non-Canadian of an entity carrying on a Canadian business, or within a prescribed period of time following completion of such a transaction, the Minister can issue a notice to a purchaser indicating that a transaction may be subject to review on the basis that it could be injurious to national security, or, after consulting with the Minister of Public Safety, recommend to the Governor in Council that it order a review of the transaction on national security grounds. If the Minister issues a notice that the merger may be subject to review under Part IV.1 of the Investment Canada Act, or if the Governor in Council issues an order for review under Part IV.1 of the Investment Canada Act prior to completion of the merger, Parent will be prevented from completing the merger pending completion of the review process. If the Governor in Council orders a national security review of the merger, the Governor in Council could issue an order under the Investment Canada Act enjoining completion of the merger, requiring divestiture of CPI's Canadian business if the merger is complete, or requiring commitments from Parent restricting Parent's post-transaction operations.

German Act Against Restraints in Competition

Under the German Act Against Restraints in Competition, as amended ("GAARC"), certain transactions, including the merger, may not be consummated unless the German Federal Cartel Office ("FCO") issues its clearance. The GAARC provides that Veritas must file a pre-merger notification with the FCO. The FCO may issue its decision in Phase I, within one month from the submission of a complete notification to the FCO. If the FCO opens a Phase II investigation, the review period is extended by an additional three months. A transaction notifiable under the GAARC may not be completed until the FCO issues a clearance decision.

Challenges by Governmental and Other Entities

Notwithstanding the expiration of the initial waiting period under the HSR Act, there can be no assurance that any of the governmental or other entities described above, including the DOJ, the FTC, foreign competition law authorities, U.S. state attorneys general and private parties, will not challenge the merger on antitrust or competition grounds and, if such a challenge is made, there can be no assurance as to its result.

Other Governmental Approvals

A division of CPI utilizes radioactive materials in manufacturing certain products, and such division currently holds both U.S. federal and state licenses for the use of these radioactive materials. In connection with the merger, control of these licenses is deemed to be transferred from CPI to Parent. CPI is required to file and obtain approval from the Nuclear Regulatory Commission and the State of Massachusetts Radiation Control Program for the transfer of control of these licenses.

Appraisal Rights

In connection with the merger, record holders of CPI common stock who comply with Section 262 of the General Corporation Law of the State of Delaware (which is referred to in this proxy statement

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as Section 262) will be entitled to appraisal rights if the merger is completed. Under Section 262, as a result of completion of the merger, holders of shares of CPI common stock, with respect to which appraisal rights are properly demanded and perfected and not withdrawn or lost, are entitled, in lieu of receiving the merger consideration, to have the "fair value" of their shares at the completion of the merger (exclusive of any element of value arising from the accomplishment or expectation of the merger) judicially determined and paid to them in cash by complying with the provisions of Section 262. CPI is required to send a notice to that effect to each stockholder not less than 20 days prior to the special meeting. This proxy statement constitutes that notice to you.

The following is a brief summary of Section 262, which sets forth the procedures for exercising statutory appraisal rights. This summary is qualified in its entirety by reference to Section 262, a copy of the text of which is attached hereto as Annex C. This discussion and Annex C should be reviewed carefully by any holder who wishes to exercise statutory appraisal rights or who wishes to preserve the right to do so, as failure to comply with the procedures set forth herein or therein will result in the loss of appraisal rights. The following summary does not constitute any legal or other advice nor does it constitute a recommendation that stockholders exercise their appraisal rights under Section 262.

Stockholders of record who desire to exercise their appraisal rights must satisfy all of the following conditions. All references in this summary of appraisal rights to a "stockholder" or "holder" of shares of CPI common stock are to the record holder or holders of shares of CPI common stock.

A stockholder who desires to exercise appraisal rights must (i) not vote in favor of the adoption of the merger agreement, (ii) deliver in the manner set forth below a written demand for appraisal of the stockholder's shares to the Corporate Secretary of CPI before the vote on the adoption of the merger agreement at the special meeting at which the proposal to adopt the merger agreement will be submitted to CPI stockholders, (iii) continuously hold the shares of record from the date of making the demand through the effective time of the merger because appraisal rights will be lost if the shares are transferred prior to the effective time of the merger, and (iv) otherwise comply with the requirements of Section 262. A stockholder who fails to satisfy any of these conditions will, if the merger is completed, be entitled to receive payment for the stockholders shares as provided for in the merger agreement, but will have no appraisal rights with respect to the shares.

Only a holder of record of CPI common stock is entitled to demand an appraisal of the shares registered in that holder's name. A demand for appraisal must be executed by or for the stockholder of record, fully and correctly, and must reasonably inform CPI of the identity of the stockholder and that such stockholder intends thereby to demand appraisal of the CPI stock. If shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, such demand must be executed by the fiduciary. If shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand must be executed by all joint owners. An authorized agent, including an agent of two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner and expressly disclose that, in exercising the demand, the agent is acting as agent for the record owner. If a stockholder holds shares of CPI common stock through a broker who in turn holds the shares through a central securities depository nominee, such as Cede & Co., a demand for appraisal of such shares must be made by or on behalf of the depository nominee and must identify the depository nominee as record holder.

A record owner, such as a broker or depository, who holds shares as a nominee for others may exercise appraisal rights with respect to the shares held for all or less than all beneficial owners of shares for which the holder is the record owner. In that case, the written demand must set forth the number of shares covered by the demand. Where the number of shares is not expressly stated, the demand will be presumed to cover all shares outstanding in the name of the record owner.

Beneficial owners who are not record owners and who intend to exercise appraisal rights should instruct the record owner to comply strictly with the statutory requirements with respect to the exercise

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of appraisal rights before the vote on the adoption of the merger agreement at the special meeting. A holder of shares held in "street name" who desires appraisal rights with respect to those shares must take such actions as may be necessary to ensure that a timely and proper demand for appraisal is made by the record owner of the shares. Shares held through brokerage firms, banks and other financial institutions are frequently deposited with and held of record in the name of a nominee of a central security depository, such as Cede & Co., The Depository Trust Company's nominee. Any holder of shares desiring appraisal rights with respect to such shares who held such shares through a brokerage firm, bank or other financial institution is responsible for ensuring that the demand for appraisal is made by the record holder. The stockholder should instruct such firm, bank or institution that the demand for appraisal must be made by the record holder of the shares, which might be the nominee of a central security depository if the shares have been so deposited. **Stockholders who hold shares through a bank, brokerage firm or other nominee and wish to exercise appraisal rights should consult with the bank, brokerage firm or the other nominee to determine the appropriate procedures for the making of a demand for appraisal by the nominee.**

Stockholders of record who elect to demand appraisal of their shares must mail or deliver their written demand to: CPI, 811 Hansen Way, Palo Alto, California 94303, Attention: Corporate Secretary. The written demand for appraisal should specify the stockholder's name and mailing address, the number of shares owned and that the stockholder is demanding appraisal of his, her or its shares. The written demand must be received by CPI prior to the special meeting. Neither voting (in person or by proxy) against, abstaining from voting on or failing to vote on the proposal to adopt the merger agreement will alone suffice to constitute a written demand for appraisal within the meaning of Section 262. In addition, the stockholder must not vote its shares of common stock in favor of adoption of the merger agreement. Because a proxy that does not contain voting instructions will, unless revoked, be voted in favor of adoption of the merger agreement, it will constitute a waiver of the stockholder's right of appraisal and will nullify any previously delivered written demand for appraisal. Therefore, a stockholder who votes by proxy and who wishes to exercise appraisal rights must vote against the adoption of the merger agreement or abstain from voting on the adoption of the merger agreement.

Within 10 days after the effective time of the merger, the surviving corporation in the merger must give notice that the merger has become effective to each stockholder who has properly filed a written demand for appraisal and who did not vote in favor of the proposal to adopt the merger agreement and who otherwise complied with Section 262. At any time within 60 days after the effective time of the merger, any stockholder who has not commenced an appraisal proceeding or joined a proceeding as a named party may withdraw the demand and accept the cash payment specified by the merger agreement for that stockholder's shares by delivering to the surviving corporation a written withdrawal of the demand for appraisal. However, any such attempt to withdraw the demand made more than 60 days after the effective time of the merger will require written approval of the surviving corporation. Unless the demand is properly withdrawn by the stockholder within 60 days after the effective date of the merger, no appraisal proceeding in the Delaware Court of Chancery will be dismissed as to any stockholder without the approval of the Delaware Court of Chancery, with such approval conditioned upon such terms as the Court deems just. If the surviving corporation does not approve a request to withdraw a demand for appraisal when that approval is required, or if the Delaware Court of Chancery does not approve the dismissal of an appraisal proceeding, the stockholder will be entitled to receive only the appraised value determined in any such appraisal proceeding, which value could be less than, equal to or more than the consideration offered pursuant to the merger agreement.

Within 120 days after the effective time of the merger, but not thereafter, either the surviving corporation in the merger or any stockholder who has timely and properly demanded appraisal of such stockholder's shares and who has complied with the requirements of Section 262 and is otherwise entitled to appraisal rights, or any beneficial owner for which a demand for appraisal has been properly made by the record holder, may commence an appraisal proceeding by filing a petition in the Delaware

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Court of Chancery demanding a determination of the fair value of the shares of all stockholders who have properly demanded appraisal, with a copy served on the surviving corporation in the case of a petition filed by a stockholder.

There is no present intent to file an appraisal petition and stockholders seeking to exercise appraisal rights should not assume that the surviving corporation will file such a petition or that the surviving corporation will initiate any negotiations with respect to the fair value of such stockholders' shares. Accordingly, stockholders who desire to have their shares appraised should initiate any petitions necessary for the perfection of their appraisal rights within the time periods and in the manner prescribed in Section 262. Within 120 days after the effective time, any stockholder who has theretofore complied with the applicable provisions of Section 262 will be entitled, upon written request, to receive from the surviving corporation a statement setting forth the aggregate number of shares of common stock not voting in favor of the merger and with respect to which demands for appraisal were received by the surviving corporation and the number of holders of such shares. A person who is the beneficial owner of shares held in a voting trust or by a nominee on behalf of such person may, in such person's own name, file a petition or request from the corporation the statement described in the previous sentence. Such statement must be mailed within 10 days after the written request therefor has been received by the surviving corporation.

If a petition for an appraisal is timely filed, at the hearing on such petition, the Delaware Court of Chancery will determine which stockholders are entitled to appraisal rights. The Delaware Court of Chancery may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Delaware Court of Chancery may dismiss the proceedings as to such stockholder. Where proceedings are not dismissed, the appraisal proceeding shall be conducted, as to the shares of common stock owned by such stockholders, in accordance with the rules of the Delaware Court of Chancery, including any rules specifically governing appraisal proceedings.

After a hearing on such petition, the Delaware Court of Chancery will determine which stockholders are entitled to appraisal rights and thereafter will appraise the shares owned by those stockholders, determining the fair value of the shares exclusive of any element of value arising from the accomplishment or expectation of the merger, together with interest to be paid, if any, upon the amount determined to be the fair value. Unless the Delaware Court of Chancery in its discretion determines otherwise for good cause shown, interest from the effective date of the merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharges) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment. In determining fair value, the Delaware Court of Chancery is to take into account all relevant factors. In *Weinberger v. UOP, Inc., et al.*, the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that "proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court" should be considered and that "[f]air price obviously requires consideration of all relevant factors involving the value of a company." The Delaware Supreme Court stated that in making this determination of fair value the court must consider "market value, asset value, dividends, earnings prospects, the nature of the enterprise and any other facts which were known or which could be ascertained as of the date of merger which throw any light on future prospects of the merged corporation." The Delaware Supreme Court construed Section 262 to mean that "elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered." However, the Delaware Supreme Court noted that Section 262 provides that fair value is to be determined "exclusive of any element of value arising from the accomplishment or expectation of the merger."

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Stockholders considering seeking appraisal should bear in mind that the fair value of their shares determined under Section 262 could be more than, the same as, or less than the merger consideration they are entitled to receive pursuant to the merger agreement if they do not seek appraisal of their shares, and that opinions of investment banking firms as to the fairness from a financial point of view of the consideration payable in a transaction are not opinions as to, and do not address, fair value under Section 262. Neither Parent nor CPI anticipates offering more than the applicable merger consideration to any CPI stockholder exercising appraisal rights, and they reserve the right to assert, in any appraisal proceeding, that for purposes of Section 262, the "fair value" of a share of CPI common stock is less than the applicable merger consideration.

The cost of the appraisal proceeding may be determined by the Delaware Court of Chancery and charged upon the parties as the Delaware Court of Chancery deems equitable in the circumstances. However, costs do not include attorneys' and expert witness' fees. Each dissenting holder is responsible for his or her attorneys' and expert witness fees, although upon application of a stockholder seeking appraisal rights, the Delaware Court of Chancery may order that all or a portion of the expenses incurred by such stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts, be charged pro rata against the value of all shares entitled to appraisal. In the absence of such a determination of assessment, each party bears its own expenses.

Any stockholder who has duly demanded appraisal in compliance with Section 262 will not, after the effective time, be entitled to vote for any purpose any shares subject to such demand or to receive payment of dividends or other distributions on such shares, except for dividends or distributions payable to stockholders of record at a date prior to the effective time.

Except as explained in the last sentence of this paragraph, at any time within 60 days after the effective time of the merger, any stockholder who has demanded appraisal and who has not commenced an appraisal proceeding or joined that proceeding as a named party shall have the right to withdraw such stockholder's demand for appraisal and to accept the cash to which the stockholder is entitled pursuant to the merger by delivering to the surviving corporation a written withdrawal of his or her demand for appraisal and acceptance of the merger consideration. After this period, the stockholder may withdraw such stockholder's demand for appraisal only with the consent of the surviving corporation. If no petition for appraisal is filed with the Delaware Court of Chancery within 120 days after the effective time of the merger, stockholders' rights to appraisal shall cease and all stockholders shall be entitled only to receive the merger consideration as provided for in the merger agreement. Inasmuch as the parties to the merger agreement have no obligation to file such a petition, and have no present intention to do so, any stockholder who desires that such petition be filed is advised to file it on a timely basis. No petition timely filed in the Delaware Court of Chancery demanding appraisal shall be dismissed as to any stockholders without the approval of the Delaware Court of Chancery, and that approval may be conditioned upon such terms as the Delaware Court of Chancery deems just. However, the preceding sentence will not affect the right of any stockholder who has not commenced an appraisal proceeding or joined the proceeding as a named party to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger within 60 days.

The foregoing is a brief summary of Section 262 that sets forth the procedures for exercising statutory appraisal rights. This summary, however, is not a complete statement of all applicable requirements and is qualified in its entirety by reference to Section 262, a copy of the text of which is attached as Annex C to this proxy statement.

Failure to strictly comply with all the procedures set forth in Section 262 will result in the loss of a stockholder's statutory appraisal rights. Consequently, if you wish to exercise your appraisal rights, you are strongly urged to consult a legal advisor before attempting to exercise your appraisal rights.

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Financing of the Merger

CPI anticipates that the total funds needed to complete the merger, including the funds needed to:

pay CPI's stockholders (and holders of CPI's options, restricted stock and restricted stock units) the amounts due to them under the merger agreement;

repay or refinance certain existing indebtedness of CPI;

pay related fees and expenses (including original issue discount and costs related to the retirement of certain existing indebtedness) in connection with the transactions contemplated by the merger agreement; and

pay accrued interest,

will be approximately \$575 million. CPI expects this amount to be funded through a combination of:

equity financing of up to \$220 million to be provided by the Veritas Fund;

borrowings under senior secured credit facilities comprised of a term loan facility of \$148 million and a revolving credit facility of up to \$30 million; and

the issuance of \$215 million in senior unsecured notes (or, to the extent those notes are not issued at or prior to closing of the merger, a \$215 million senior unsecured bridge loan facility).

Parent has obtained the equity and debt financing commitments described below. The funding under those commitments is subject to conditions, including conditions that do not relate directly to the merger agreement. CPI believes the committed amounts will be sufficient to complete the merger, but CPI cannot assure you of that. Those amounts might be insufficient if, among other things, Parent has substantially less net proceeds from the equity and debt financings than CPI currently expects. Although obtaining the equity or debt financing is not a condition to the completion of the merger, the failure of Parent and Merger Sub to obtain sufficient financing is likely to result in the failure of the merger to be completed. In that case, Parent may be obligated to pay a fee of \$22.5 million or, if CPI establishes in accordance with the merger agreement that Parent or Merger Sub has committed a willful breach of the merger agreement, a fee of \$27.5 million to CPI, in each case, as described under "The Merger Agreement Termination of the Merger Agreement Termination Fee Payable by Parent" on page [] of this proxy statement. That obligation is guaranteed by the Veritas Fund.

Equity Financing

Parent has received an equity commitment letter from the Veritas Fund pursuant to which the Veritas Fund has committed to invest up to \$220 million, plus certain additional amounts and upfront fees related to the debt financing, solely for the purpose of purchasing equity securities of Parent in order to provide Parent with a portion of the financing required for the merger and the transactions contemplated by the merger agreement, including the fees and expenses related thereto. The financing contemplated by the equity commitment letter, as may be amended, is referred to as the equity financing.

The funding of the equity financing is subject to the satisfaction or waiver of the conditions to Parent's and Merger Sub's obligations contained in the merger agreement and the substantially concurrent consummation and funding in full of the debt financing (or any alternative financing) described below. Pursuant to the terms of the merger agreement, CPI may seek specific performance to cause Parent and Merger Sub to cause the equity financing to be funded subject to the satisfaction of certain conditions.

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Without the consent of CPI, the Veritas Fund may assign its rights and obligations under the equity commitment letter to (i) funds or other entities which are affiliates of the Veritas Fund, (ii) limited partners of the Veritas Fund or of such funds or other entities, and (iii) affiliates of such limited partners. Assignment does not relieve the Veritas Fund of its obligations under the equity commitment letter and it remains responsible to Parent for the full amount of the equity financing.

The equity commitment letter and the obligation of the Veritas Fund to fund the equity financing will terminate automatically upon the earliest to occur of (i) the effective time of the merger and (ii) the termination of the merger agreement pursuant to its terms.

Debt Financing

In connection with the entry into the merger agreement, Parent and Merger Sub received the debt commitment letter, dated November 24, 2010, from the Commitment Parties providing for (a) borrowings under senior secured credit facilities (comprised of a term loan facility of \$148 million and a revolving credit facility of up to \$30 million) and (b) \$215 million in senior unsecured bridge loans.

The obligations of the Lenders to provide debt financing under the debt commitment letter are subject to a number of conditions, including, without limitation:

the accuracy of certain representations with respect to Parent, CPI and their subsidiaries;

the merger shall have been, or shall concurrently with the funding of the debt financing be, consummated in accordance with the merger agreement and in compliance with applicable law;

the merger agreement shall not have been altered, amended or otherwise changed or supplemented or waived and no consent shall have been given in either case in a manner which would be materially adverse to the lenders (it being understood that, subject to certain limited exceptions, certain changes in the purchase price shall be deemed to be materially adverse), without the prior written consent of the Commitment Parties;

the equity financing shall have been consummated;

delivery of certain audited and unaudited financial statements of CPI, pro forma financial statements of Parent and its subsidiaries, giving effect to the merger and other transactions contemplated by the merger agreement, and forecasts of the financial performance of Parent and its subsidiaries on a quarterly and annual basis;

all accrued fees and expenses of the administrative agents and lead arrangers and the fees owed to the Commitment Parties pursuant to the debt commitment letter and the fee letter, as is referred to in the debt commitment letter, have been paid to the extent due;

the closing date of the merger shall not occur less than 21 days after the delivery to the lead arranger of the initial final confidential information memorandum referred to in the debt commitment letter;

the engagement of an investment bank to privately place up to \$215 million in senior unsecured notes and the receipt by such investment bank of customary documents and information in connection therewith; and

compliance with certain other customary closing conditions and delivery of customary closing documentation.

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The commitments of the Commitment Parties and all lenders under the debt commitment letter will expire on the earliest of (a) April 15, 2011, (b) the execution of definitive documentation with respect to the senior secured and bridge facilities, (c) if earlier than April 15, 2011, the termination of

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the merger agreement in accordance with its terms or (d) the termination of the commitment by Parent.

Subject to the terms and conditions of the merger agreement, each of Parent and Merger Sub has agreed to obtain the equity financing contemplated by the equity commitment letter on the terms and conditions described in the equity commitment letter and use their respective reasonable best efforts to obtain the debt financing contemplated by the debt commitment letter on the terms and conditions described in the debt commitment letter and will not amend, alter or waive any term of either the equity commitment letter or the debt commitment letter. However, Parent and Merger Sub may amend the debt commitment letter so long as such amendment would not: (A) reduce the aggregate amount of the debt financing, including fees to be paid or original issue discount (other than any market flex provisions) from that contemplated in the debt commitment letter, (B) impose new or additional conditions, or otherwise amend any of the conditions to the receipt of the debt financing to fund the merger in a manner adverse to Parent or CPI, or (C) amend any other terms in a manner that would reasonably be expected to (1) prevent, impede or delay, in any material respect, the ability of Parent to consummate the merger or make the merger less likely to occur and the other transactions contemplated by the merger agreement, or (2) adversely impact the ability of Parent or Merger Sub to enforce its rights against the other parties to the debt commitment letter.

Pursuant to the Limited Guarantee delivered by the Veritas Fund in favor of CPI, the Veritas Fund agreed, among other things, to guarantee the direct expenses incurred by Parent or Merger Sub in connection with the arrangement of the financing of the merger.

Although the debt financing described in this proxy statement is not subject to due diligence or a typical "market out" provision, which allows lenders not to fund their commitments if certain conditions in the financial markets prevail, there is still a risk that such financing may not be funded when required. As of the date of this proxy statement, no alternative financing arrangements or alternative financing plans have been made in the event the debt financing described in this proxy statement is not available as anticipated.

Limited Guarantee

Concurrently with the execution of the merger agreement, the Veritas Fund executed and delivered the limited guarantee in favor of CPI, which is referred to as the limited guarantee, pursuant to which the Veritas Fund has agreed to guarantee (i) the obligations of Parent under the merger agreement to pay to CPI the parent termination fee as defined therein (See also "The Merger Agreement Termination of the Merger Agreement Termination Fee Payable by Parent" beginning on page [] of this proxy statement) and (ii) certain of CPI's expenses related to its efforts to assist Parent in obtaining the debt financing.

Pursuant to the limited guarantee, in no event will the Veritas Fund be required to pay an amount in the aggregate in excess of \$27.5 million, which is referred to as the cap, to any person pursuant to, under, or in respect of the limited guarantee.

CPI is a party to the limited guarantee and may enforce its rights thereunder directly against the Veritas Fund, to the extent permitted pursuant to the provisions of the merger agreement and applicable law, but subject to the terms and limitations set forth in the limited guarantee (including the cap) and the merger agreement.

Subject to certain exceptions, the limited guarantee will terminate, and the Veritas Fund will have no obligations thereunder, as of the earlier of (i) the effective time of the merger, (ii) the first anniversary after termination of the merger agreement in accordance with its terms (other than the terms set forth in the following clause (iii)(x) and (y)) unless CPI has commenced litigation to enforce its