

BALLANTYNE OF OMAHA INC
Form DEF 14A
April 26, 2005
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

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

BALLANTYNE OF OMAHA, 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):

- x No fee required.
- o 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:
(2)	Aggregate number of securities to which transaction applies:
(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):
(4)	Proposed maximum aggregate value of transaction:
(5)	Total fee paid:
- 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:
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(3)	Filing Party:
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**NOTICE AND PROXY STATEMENT
FOR THE ANNUAL MEETING OF STOCKHOLDERS**

to be held at

**Doubletree Guest Suites Hotel
Executive Place
7270 Cedar Street
Omaha, Nebraska 68124**

on

Wednesday, May 25, 2005 at 4:00 p.m. (Central time)

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
to be held May 25, 2005**

The Annual Meeting of Stockholders of Ballantyne of Omaha, Inc. will be held at the Doubletree Guest Suites Hotel, Executive Place, 7270 Cedar Street, Omaha, Nebraska 68124, on May 25, 2005, at 4:00 p.m. for the following purposes:

1. To elect two directors of the Company to three-year terms.
2. To consider and act upon a proposal to ratify the 2005 Employee Stock Purchase Plan.
3. To consider and act upon a proposal to ratify the 2005 Outside Directors Stock Option Plan.
4. To consider and act upon a proposal to ratify the 2005 Restricted Stock Plan.
5. To transact such other business as may properly be brought before the meeting or any adjournment thereof.

Only those stockholders of record at the close of business on March 25, 2005, (the Record Date) shall be entitled to notice of the meeting and to vote at the meeting.

Your vote is important. Whether or not you plan to attend the Annual Meeting in person, please submit your proxy as soon as possible to assure a quorum. You can vote by telephone, on the internet, or by mail with a proxy card. Voting by any of these methods will ensure that you are represented at the Annual Meeting even if you are not there in person. Please review the instructions on the proxy card regarding these voting options. Stockholders who have previously voted but attend the meeting may withdraw their proxy if they wish to do so, and vote in person.

Important: Your prompt return of the Proxy Card will help save your Company the expense and extra work of additional solicitation.

If you desire assistance in scheduling overnight accommodations in Omaha, contact Debbie Wilbeck at Ballantyne at (402) 453-4444, ext. 303. Early reservations are encouraged.

Our 2004 Annual Report, which is not a part of the proxy soliciting material, is enclosed.

I look forward to seeing you at the Annual Meeting.

Dated this 25th day of April, 2005.

By Order of the Board of Directors

John P. Wilmers
President and Chief Executive Officer

**PROXY STATEMENT
GENERAL INFORMATION**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Ballantyne of Omaha, Inc. (the Company) for use at the Annual Meeting of Stockholders to be held on May 25, 2005. Stockholders of record at the close of business on March 25, 2005 are entitled to notice of, and to vote at, the meeting and any adjournment thereof. This Proxy Statement was first mailed to stockholders on approximately April 25, 2005.

VOTING SHARES AND PRINCIPAL HOLDERS

The following table shows each person or entity Ballantyne knows to be the beneficial owner of more than five percent of the Company s outstanding common stock as of March 25, 2005.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Stuart Sternberg(1) 120 Broadway, 6 th Floor New York, NY 10271	680,000	5.2 %
Richard L. Scott(2) 201 West Main Street Louisville, KY 40202	674,600	5.2 %
Pequot Capital Management, Inc.(3)	1,353,200	10.3 %

(1) This information is based on a Schedule 13G filed with the Securities and Exchange Commission on December 18, 2003.

(2) This information is based on a Schedule 13D filed with the Securities and Exchange Commission on May 24, 2005 by Richard L. Scott.

(3) This information is based on a Schedule 13G filed with the Securities and Exchange Commission on February 9, 2005 by Pequot Capital Management, Inc.

APPOINTMENT AND REVOCATION OF PROXIES

As of the close of business on March 25, 2005, the Company had 13,096,108 shares of outstanding common stock, all of which are entitled to vote at the Annual Meeting.

Each share is entitled to one vote on each matter presented.

Transaction of business may occur at the meeting if a quorum is present. A quorum will be present if a majority of the voting power of the outstanding shares of common stock are present at the meeting, in person or by proxy. If a quorum is present at the Annual Meeting, the nominees for election to the Board of Directors who receives the greatest number of votes cast for the election of the directors by shares present at the meeting, in person or by proxy, and entitled to vote, shall be elected the directors. Approval of all other proposals require the affirmative vote of holders of a majority of the shares present or represented by proxy and entitled to vote at the meeting. Abstentions and broker non-votes will have no effect on the outcome of these proposals.

Proxies which are properly signed and returned will be voted at the meeting. Stockholders may specify their preference by marking the appropriate boxes on the proxy and the proxy will then be voted in accordance with such specifications. In the absence of such specifications, the proxy will be voted for the election of the nominees for director and in accordance with the instructions of the Board of Directors as to any other matters. Broker non-votes will be counted for purposes of determining the presence or absence of a quorum for the transaction of business, but will not be counted for purposes of determining the number of votes cast with respect to a proposal. Stockholders who attend the meeting may vote in

person even though they have voted by proxy. A proxy is revocable at any time before it is voted and a proxy is automatically revoked upon the giving of a subsequent proxy or by voting in person at the meeting. The Company will bear the cost of solicitation of proxies, including the charges and expenses of brokers and others for forwarding solicitation materials to beneficial owners of stock. In addition to the use of mail, proxies may be solicited by personal interview, telephone or facsimile.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following chart sets forth, as of the close of business on March 25, 2005, certain information concerning beneficial ownership of common stock by each director of the Company, each of the named executives (as defined below), and all directors and executive officers as a group.

Name	Number of Shares Beneficially Owned		Percent of Common Stock(1)
John P. Wilmers	351,911	(2)	2.69 %
Daniel E. Faltin	125,000	(3)	0*
Brad J. French	215,349	(4)	1.64 %
Ray F. Boegner	190,394	(5)	1.45 %
William F. Welsh, II	170,125	(6)	1.30 %
Alvin Abramson	32,500	(7)	0*
Dana C. Bradford	23,625	(8)	0*
Mark D. Hasebroock	23,625	(9)	0*
All directors and executive officers as a group	1,132,529	(10)	8.65 %

* Less than 1% of common stock outstanding.(1)

All executive officers beneficially own 882,654 shares including exercisable stock options, or 6.74% of the outstanding common stock.(1)(11)

(1) Based upon 13,096,108 shares of common stock outstanding as of March 25, 2005. Each named person is deemed to be the beneficial owner of shares of common stock that may be acquired within 60 days of March 25, 2005 upon the exercise of stock options (assumes vesting of certain outside directors stock options effective May 26, 2005). Accordingly, the number of shares and percentage set forth next to the name of such person, all executive officers as a group and all directors and executive officers as a group includes the shares of common stock issuable pursuant to presently exercisable stock options. However, the shares of common stock so issuable upon exercise by any such person are not included in calculating the percentage of common stock beneficially owned by any other stockholder.

(2) Includes 64,686 shares of common stock directly owned by Mr. Wilmers and 287,225 shares purchasable pursuant to presently exercisable stock options.

(3) Includes 125,000 shares purchasable pursuant to presently exercisable stock options.

(4) Includes 92,637 shares of common stock directly owned by Mr. French and 122,712 shares purchasable pursuant to presently exercisable stock options.

(5) Includes 7,444 shares of common stock directly owned by Mr. Boegner and 182,950 shares purchasable pursuant to presently exercisable stock options.

(6) Includes 15,000 shares of common stock directly owned by Mr. Welsh and 155,125 shares purchasable pursuant to presently exercisable stock options.

(7) Includes 1,000 shares of common stock directly owned by Mr. Abramson and 31,500 shares purchasable pursuant to presently exercisable stock options.

(8) Includes 23,625 shares purchasable pursuant to presently exercisable stock options.

(9) Includes 23,625 shares purchasable pursuant to presently exercisable stock options.

(10) Includes 180,767 shares of common stock owned directly by all directors and executive officers as a group and 951,762 shares purchasable pursuant to presently exercisable stock options.

(11) Includes 164,767 shares of common stock owned directly by all executive officers and 717,887 shares purchasable pursuant to presently exercisable stock options.

**PROPOSAL 1
ELECTION OF DIRECTORS**

The Bylaws of the Company provide that the directors shall be divided into three classes. The members of each class serve staggered three-year terms. Messrs. Alvin Abramson and Dana C. Bradford are the Class I directors; Messrs. William F. Welsh, II and Mark D. Hasebroock are Class II directors; and Mr. John P. Wilmers is the Class III Director. Messrs. Abramson's and Bradford's terms expire this year. Mr. Abramson has been nominated for a three-year term expiring in 2008. Mr. Bradford declined to be nominated for election to a subsequent term. Mr. Bradford's decision did not result because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices. Mr. Marc E. LeBaron, who was proposed by a non-management director, was approved by the Nominating Committee of the Board of Directors to replace Mr. Bradford for a three-year term expiring in 2008. Mr. LeBaron is the Chairman and CEO of Lincoln Plating in Lincoln, Nebraska and sits on the board of numerous private companies and universities. The terms of the Class I, Class II and Class III directors expire at the Annual Meeting of Stockholders to be held in 2008, 2006 and 2007, respectively.

The Board of Directors has set the number of directors for 2005 at five (5). The chart below sets forth a list of the names, ages and past five-year business history of each director currently serving on the Board and any public company directorships held by such persons and the year in which each became a director of the Company.

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Name	Age	Employment History	Director Since	No. of Shares	%
Class I: Nominees for Election at the Annual Meeting for a Term Expiring in 2008					
Alvin Abramson	76	Retired certified public accountant; former director of Nebraska Department of Motor Vehicles, Chairman of Audit Committee; Member of Nominating Committee.	2002	32,500	0*
Marc E. LeBaron	50	Chairman/CEO, Lincoln Plating, 2001 - present; President, Lincoln Plating, 1984 - 2001.	N/A	3,500	0*
Class II: Term Expires in 2006					
William F. Welsh II	63	Chairman of the Board, Director of Election Systems & Software; Served as Chairman of Election Systems, Inc. from 2000 to October 31, 2003; Director of Lindsay Manufacturing Company since 2000; Member of Compensation, Audit and Nominating (Chair) Committees.	2000	170,125	1.30%
Mark D. Hasebroock	45	Owner of Niche Commerce, Inc. from February, 2002 to present; Executive Vice President of Sales and Chief Operating Officer of GiftCertificates.com from January 2000 to February 2002; Vice President of Mergers and Acquisitions for Level 3 Communications from January 1998 to January 2000; Member of Compensation, Audit and Nominating Committees.	2003	23,625	0*
Class III: Term Expires in 2007					
John P. Wilmers	60	President and CEO of the Company since March 1997, previously Executive Vice President of the Company since 1992; joined the Company in 1981 and served in various capacities thereafter.	1995	351,911	2.69%

* Less than 1% of common stock outstanding.

Compensation of Directors

The Company does not pay directors who are also officers or employees of the Company additional compensation for their service as directors.

In 2004, compensation for non-employee directors included the following:

- Annual retainer of \$20,000
- \$1,000 for each Board meeting attended
- \$500 for each Board meeting held by telephone conference
- Expenses of attending Board meetings
- New directors are automatically granted 23,625 stock options on the first business day after election.

- vesting at a rate of 7,875 shares on the first business day after election
- vesting an additional 7,875 shares on the first business day after each annual stockholders meeting, assuming they continue to serve on the Board
- exercise price of all 23,625 options is fair market value on date of initial grant
- options have a term of five years
- Non-employee directors are automatically granted additional options every three years as long as they continue to serve on the Board

The Board of Directors held six meetings during 2004. In addition, the Board of Directors took action by unanimous consent in writing in lieu of a special meeting three times. No director was present for less than 75% of all meetings of the Board of Directors and all meetings of committees upon which such directors served.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR ALL NOMINEES.

**PROPOSAL 2
APPROVAL OF 2005
EMPLOYEE STOCK PURCHASE PLAN**

During 2000, the Board of Directors approved the adoption of the 2000 Employee Stock Purchase Plan and in May 2000, the stockholders approved such adoption. During March 2005, the Board approved the 2005 Employee Stock Purchase Plan as the 2000 Plan is set to expire in September 2005. The Board believes that an Employee Stock Purchase Plan, such as proposed by the 2005 Plan, is important to provide a mechanism to offer both management and non-management employees the ability to participate in the long-term growth of the Company with minimal dilution to stockholders by offering all eligible employees the opportunity to purchase Ballantyne common stock at a 15% discount through payroll deductions. Under the 2005 Plan, a maximum of 2,000 shares per plan year can be purchased by eligible employees. During 2004, 13,608 shares were purchased by employees under the 2000 Plan.

The Company intends to register with the SEC 150,000 shares under the 2005 Plan on a Registration Statement on Form S-8 under the Securities Act of 1933 as soon as it is practicable after receiving stockholder approval of the 2005 Plan.

Summary of 2005 Employee Stock Purchase Plan Terms

General. The purpose of the Plan is to provide a method by which eligible employees may purchase common stock on a discounted basis through payroll deductions. The Board believes that participation in the Plan provides eligible employees at all levels with a greater incentive to contribute to the success of the Company. It is the intention of the Company to have the Plan qualify as an Employee Stock Purchase Plan under Section 423 of the Internal Revenue Code, as amended. The provisions of the Plan shall be construed so as to extend and limit participation in a manner consistent with the requirement of Section 423.

Administration. The Plan is administered by the Employee Stock Purchase Plan Committee hereinafter, the Committee, consisting of no less than two members of the Board of Directors. Members of the Employee Stock Purchase Plan Committee who are eligible employees are permitted to participate in the Plan.

Shares Subject to Plan. If the stockholders approve this proposal, the maximum number of shares for issuance under the plan is 150,000.

Eligibility. Employees of Ballantyne whose customary employment is twenty hours or more per week and who have been in continuous employ for at least 90 days are eligible to participate in the Plan, except that employees who own 5% or more of Ballantyne's common stock are not eligible to participate in the Plan.

The Plan commences each year on the first business day in November and ends on the last business day in October. Presently, each eligible employee who has elected to participate in the Plan receives shares of common stock in an amount determined by dividing the employee's accumulated payroll deductions made during the Plan's offering period (which deductions are restricted to a maximum of 10% of an employee's salary) by 85% of the average high and low market prices of a share of common stock on the first day or the last day of the offering period, whichever is lower. The maximum number of shares that may be purchased by an employee in an offering period is 2,000.

Recapitalization. The Plan contains customary anti-dilution provisions which provide that in the event of a recapitalization, a change in Ballantyne's outstanding capital stock and certain other events, an adjustment shall be made, as determined by the Employee Stock Purchase Plan Committee, in the number and/or kind of shares which are subject to purchase under outstanding options, the stock price applicable to such outstanding options, and the number and/or kind of shares which may be offered in each subsequent offering period.

Termination and Amendment. The Board may, insofar as permitted by law, from time to time, with respect to any shares of common stock at the time not subject to options, suspend or terminate the Plan or revise or amend the Plan in any respect whatsoever. However, unless the Board specifically otherwise provides, any revision or amendment that would cause the Plan to fail to comply with Rule 16b-3 under the 1934 Act, Section 423 of the Code or any other requirement of applicable law or regulation if such revision or amendment was not approved by the stockholder of the Corporation shall not be effective unless and until such approval is obtained. Furthermore, no suspension, termination or amendment of the Plan that would adversely affect the right of any Participant with respect to an option previously granted will be effective without the written consent of the affected participant.

Summary of Federal Income Tax Consequences. The U.S. Federal income tax consequences to the Company and its employees of awards under the Stock Plan are complex and subject to change. The following discussion is only a summary of the general rules applicable to the Plan. Recipients of awards under the Plan should consult their own tax advisors since a taxpayer's particular situation may be such that some variation of the rules described below will apply. A participant generally recognizes no taxable income as a result of the purchase of shares under the Plan. Upon the sale of the shares, the employee will recognize either ordinary income or capital gain or loss or some combination thereof depending on how long the shares are held.

This summary is qualified in its entirety by reference to the 2005 Plan document. A copy of the 2005 Employee Stock Purchase Plan is attached as Appendix B.

Vote Required and Board Recommendation

Approval of Proposal 2 requires the affirmative vote of holders of a majority of the shares present or represented by proxy and entitled to vote at the meeting. Abstentions and broker non-votes will have no effect on the outcome of this proposal.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR THIS PROPOSAL

PROPOSAL 3
APPROVAL OF 2005
OUTSIDE DIRECTORS STOCK OPTION PLAN

During 1995, the Board of Directors approved the adoption of the 1995 Outside Directors Stock Option Plan. The Board has subsequently amended the 1995 Plan from time to time to increase the number of shares authorized. The Plan is set to expire September 2005. As such, the Board has approved the adoption of the 2005 Outside Directors Stock Option Plan under essentially the same terms as the 1995 Plan.

The Board believes that the availability of the Plan is an important factor in attracting, motivating and retaining qualified non-employee directors essential to the success of the Company.

If the 2005 Plan is approved, the Company intends to register with the SEC 300,000 shares on a Registration Statement on Form S-8 under the Securities Act of 1933 as soon as it is practicable after receiving Stockholder approval of the 2005 Plan.

Summary of the 2005 Outside Directors Stock Option Plan Terms

General. The purpose of the 2005 Plan is to enable the Company to provide incentives, which are linked to increases in stockholder value, to non-employee directors in order that they will be encouraged to serve on the Board and exert their best efforts on behalf of the Company.

Administration. The 2005 Plan is administered by the Outside Directors Plan Committee, currently consisting of Mr. Brad J. French, Ballantyne's Chief Financial Officer, and Mr. Myron Kaplan, Ballantyne's outside counsel. Members of the Outside Directors Plan Committee are not directors and are not entitled to participate in the 2005 Plan. Subject to the limits imposed by the terms of the 2005 Plan, the Outside Directors Plan Committee has the power to administer the 2005 Plan but has no authority to grant Non-Qualified Stock Options (NQSOs), to determine the number of shares of common stock subject to NQSOs, or to determine the price at which each share of common stock covered by a NQSO may be purchased pursuant to the 2005 Plan.

Eligibility. Directors who: (i) are neither an employee nor an officer of Ballantyne or any subsidiary or affiliate of Ballantyne on the date of the grant of an option and (ii) have not elected to decline to participate in the 2005 Plan pursuant to an irrevocable one-time election made within 30 days after first becoming a director are eligible to participate in the 2005 Plan. Four directors currently qualify as participants under the outside directors plan.

Shares Subject to Plan. If the stockholders approve this proposal, the maximum number of shares for issuance under the 2005 Plan is 300,000. To the extent that any option granted under the 2005 Plan expires or terminates without having been exercised, the shares subject to the terminated option or repurchases by the Company will again be available for issuance under the 2005 Plan.

Exercise Price. The exercise price of each option shall be the fair market value of a share of its common stock on the date of grant.

Payment. The 2005 Plan provides that the option exercise price may be paid by any form of legal consideration consistent with applicable law and SEC rules and regulations thereto.

Granting of Stock Options. The 2005 Plan provides that non-employee directors initially be granted options to purchase 23,625 shares of common stock on the first business day after election. Additionally, options to purchase 23,625 shares of common stock will be granted automatically to each non-employee director on the next business day after the third consecutive Annual Meeting of Ballantyne's stockholders following the directors initial election to the Board and on the next business day after every third Annual

Meeting thereafter, provided that the non-employee director is a member of the Board on the date of grant.

Vesting. All options vest and become first exercisable at the rate of (i) 7,875 shares of common stock on the next succeeding business day following the non-employee director's initial election to the Board and (ii) 7,875 at the next business day after each Annual Meeting thereafter. Each option will have a term of five years.

Terms and Conditions of Stock Options. Each option grant is to be evidenced by a Stock Option Agreement between the Company and the individual grantee.

Change-in-Control. In the event of any merger, reorganization or sale of substantially all of the Company's assets, in which there is a change-in-control of the Company, all non-employee directors' option shares shall be immediately and fully vested.

Termination and Amendment. The Board may at any time amend or terminate the 2005 Plan, except that stockholder approval is required to increase the number of shares authorized for issuance under the 2005 Plan, or to expand the class of persons eligible to receive an option grant under the 2005 Plan. In addition, the rights of a recipient of a grant under the 2005 Plan prior to any action by the Board may not be impaired without the recipient's consent.

Summary of Federal Income Tax Consequences. The U.S. Federal income tax consequences to the Company and its Directors of awards under the Stock Plan are complex and subject to change. The following discussion is only a summary of the general rules applicable to the Plan. Recipients of awards under the 2005 Plan should consult their own tax advisors since a taxpayer's particular situation may be such that some variation of the rules described below will apply.

Options granted pursuant to the 2005 Plan are non-qualified stock options. Non-qualified stock options have no special tax status. An optionee generally recognizes no taxable income as the result of the grant of such an option. Upon exercise of a non-qualified stock option, the optionee normally recognizes ordinary income in the amount of the difference between the option exercise price and the fair market value of the shares purchased. Upon the sale of stock acquired by the exercise of a non-qualified stock option, any gain or loss, based on the difference between the sale price and the fair market value on the exercise date, will be taxed as capital gain or loss. No tax deduction is available to Ballantyne with respect to the grant of the option or the sale of stock acquired upon exercise of the option. The Company generally should be entitled to a deduction equal to the amount of ordinary income recognized by the optionee as a result of the exercise of a non-qualified stock option, except to the extent such deduction is limited by applicable provisions of the Internal Revenue Code (as amended).

This summary is qualified entirely by reference to the 2005 Plan document. A copy of the 2005 Outside Directors Stock Option Plan is attached as Appendix C.

Vote Required and Board Recommendation

Approval of the 2005 Outside Directors Stock Option Plan requires the affirmative vote of holders of a majority of the shares present or represented by proxy and entitled to a vote at the meeting. Abstentions and broker non-votes will have no effect on the outcome of this proposal.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR THIS PROPOSAL

PROPOSAL 4 APPROVAL OF RESTRICTED STOCK PLAN

On March 23, 2005, the Board of Directors approved the Ballantyne of Omaha, Inc. Restricted Stock Plan. The Restricted Stock Plan will replace the 1995 Employee Stock Option Plan which is set to expire in

September 2005. A restricted stock award is a grant that vests over time. As the stock award vests, employees receive Ballantyne common shares that they own outright. The Compensation Committee of the Board of Directors reviewed the advantages and disadvantages of stock option grants and subsequently recommended to the full Board of Directors that the Company adopt the Restricted Stock Plan in lieu of granting stock options to employees in the future. This determination was due in part to the Financial Accounting Standards Board (FASB) issuing a final statement that requires public companies, including Ballantyne, to record stock option expenses in their income statements. The Board believes that the Restricted Stock Plan will have a lesser impact to earnings while still providing a mechanism to link executive and stockholder interests and assist the Company in attracting and retaining key employees. The Board also believes that because the Company expects to grant fewer stock awards than it would under a stock option plan, there will be less dilution to stockholders.

Summary of the 2005 Restricted Stock Plan

General. The purpose of the Restricted Stock Plan is to advance the interests of Ballantyne and its stockholders by providing a means to attract, retain and motivate employees of Ballantyne and its subsidiaries and affiliates upon whose judgment, initiative and efforts the continued success, growth and development of Ballantyne of Omaha, Inc. is dependent.

Administration. The Restricted Stock Plan will be administered by the Compensation Committee of the Board, or such other Board Committee (which may include the entire Board) as may be designated by the Board to administer the Plan, collectively these entities are referred to below as the Committee .

Shares Subject to Plan. The total number of shares reserved for issuance in connection with awards under the Plan shall be 250,000 shares. If any awards are forfeited, canceled, terminated, exchanged or surrendered, or such award is settled in cash or otherwise terminates without a distribution of shares to the participant, any shares counted against the number of shares reserved and available under the plan with respect to such award shall, to the extent of any such forfeiture, settlement, termination, cancellation, exchange or surrender, again be available for awards under the plan.

Eligibility. Restricted stock may be issued only to employees of the Company and its subsidiaries, including any director who is also an employee as well as persons to whom offers of employment as employees have been made. The Committee, in its discretion, will select the individuals to whom stock awards will be granted, the time or times at which such awards are granted, and the number of shares subject to each grant.

Terms of Awards. The terms of an award shall be determined by the Committee.

Non-transferability of Awards. Unless otherwise set forth by the Committee in an award agreement, awards should not be transferable by an eligible employee except by will or laws of descent and distribution (except pursuant to a beneficiary designation).

Adjustments Upon Changes in Capitalization, Merger or Sale of Assets. In the event that the Committee shall determine that any dividend in shares, recapitalization, share split, reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase or share exchange, or other similar corporate transaction or event, affects the shares such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of eligible employees under the Plan, then the Committee shall make such equitable changes or adjustments as it deems appropriate.

Amendment and Termination of Plan. If approved by the stockholders, the Plan will become effective as of September 1, 2005. The Plan will terminate as to future awards on September 1, 2015. The Board of Directors may amend, alter, suspend, discontinue, or terminate the Plan without the consent of stockholders or participants, except that any such amendment or alteration shall be subject to the approval

of the Company's stockholders to the extent such approval is required under the rules of any stock exchange or automated quotation system on which the shares may then be listed or quoted.

Summary of Federal Income Tax Consequences. The U.S. Federal income tax consequences to the Company and its employees of awards under the Plan are complex and subject to change. The following discussion is only a summary of the general rules applicable to the Plan. Recipients of awards under the Plan should consult their own tax advisors since a taxpayer's particular situation may be such that some variation of the rules described below will apply. Generally, the recipient of a stock award will recognize ordinary compensation income at the time the Company's common stock associated with such stock award is received in an amount equal to the excess, if any, of the fair market value of the stock received over any amount paid by the recipient in exchange for the stock. If, however, the stock is non-vested (i.e., if the employee is required to work for a period of time in order to have the right to sell the stock) when it is received under the Plan and the recipient had not elected otherwise, the recipient generally will not recognize income until the stock becomes vested, at which time the recipient will recognize ordinary compensation income equal to the excess, if any, of the fair market value of the stock on the date it becomes vested over any amount paid by the recipient in exchange for the stock. The income realized by the recipient will generally be subject to U.S. income and employment taxes.

In the case of stock awards that take the form of the Company's unfunded and unsecured promise to issue common stock at a future date, the grant of this type of stock award is not a taxable event to the recipient because it constitutes an unfunded and unsecured promise to issue shares of Company common stock at a future date. Once this type of stock award vests and the recipient receives the Company common shares, the tax rules discussed in the previous paragraph will apply to receipt of such shares.

The recipient's basis for determination of gain or loss upon the subsequent disposition of shares acquired as stock awards will be the amount paid for such shares plus any ordinary income recognized either when the stock is received or when the stock becomes vested, as applicable. Upon the disposition of any stock received as a stock award under the Plan, the difference between the sale price and the recipient's basis in the shares will be treated as a capital gain or loss and generally will be characterized as long-term capital gain or loss if, at the time of disposition, the shares have been held for more than one year since the recipient recognized compensation income with respect to such shares.

In the event that a recipient of a stock award receives the cash equivalent of Company common stock (in lieu of actually receiving Company common stock), the recipient will recognize ordinary compensation income at the time of the receipt of such cash in the amount of the cash received.

In the year that the recipient of a stock award recognizes ordinary taxable income in respect of such award, the Company will be entitled to a deduction for federal income tax purposes equal to the amount of ordinary income that the recipient is required to recognize, provided that the deduction is not otherwise disallowed under the Code.

This summary is qualified entirely by reference to the Plan document. A copy of the Restricted Stock Plan is attached as Appendix D.

Vote Required and Board Recommendation

Approval of the Restricted Stock Plan requires the affirmative vote of holders of a majority of the shares present or represented by proxy and entitled to a vote at the meeting. Abstentions and broker non-votes will have no effect on the outcome of this proposal.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR THIS PROPOSAL

LIST OF CURRENT EXECUTIVE OFFICERS OF THE COMPANY

The following is a list of the names and ages of the current executive officers of the Company, their business history for at least the last five years and their term of office with the Company.

Name	Age	Position and Principal Occupation	Officer Since
John P. Wilmers	60	Director of Company; President and CEO of Company since March 1997; previously Executive Vice President of Company since 1992; joined Company in 1981 and has served in various capacities thereafter.	1988
Daniel E. Faltin	48	Executive Vice President of the Company since June 1, 2003; previously President of Chief Automotive Systems, Inc. (Chief), a Nebraska-based manufacturer and marketer of collision repair equipment from January 1999 to February 2002. Before assuming responsibilities as President, he served for five years as Chief's Vice-President of sales and marketing.	2003
Brad J. French	52	CFO since 1996; Secretary and Treasurer since 1992; joined Company as Controller in 1990.	1992
Ray F. Boegner	55	Senior Vice President; previously Senior Vice President of Sales; Vice President of Sales prior to November 1996; joined Company in 1985.	1997

EXECUTIVE COMPENSATION

The following table sets forth a summary of the compensation paid to the Chief Executive Officer and three other executive officers of the Company for the fiscal years ended December 31, 2004, 2003, and 2002.

Summary Compensation Table

Name and principal position (a)	Year (b)	Annual Compensation			Long Term Compensation Awards		Payouts	
		Salary (\$)(c)	Bonus (\$)(3)(d)	Other annual compensation (\$)(4)(e)	Restricted stock award(s) (\$)(f)	Securities underlying Options/SARs (#)(g)	LTIP payouts (\$)(h)	All other compensation (\$)(2)(i)
John P. Wilmers, President and Chief Executive Officer	2004	233,654	143,711	12,016		-0-		6,150
	2003	215,000	-0-	12,086		-0-		6,000
	2002	215,000	-0-	5,619		125,000		5,500
Daniel E. Faltin(1) Executive Vice President	2004	186,923	119,626	9,419		-0-		5,608
	2003	96,231	-0-	304		125,000		208
	2002	-0-	-0-	-0-		-0-		-0-
Brad J. French, Secretary and Treasurer and Chief Financial Officer	2004	147,462	93,557	8,532		-0-		4,333
	2003	135,000	-0-	8,382		-0-		4,000
	2002	135,000	-0-	2,949		100,000		4,050
Ray F. Boegner, Senior Vice President	2004	158,885	101,712	7,025		-0-		4,767
	2003	145,000	-0-	7,022		-0-		4,350
	2002	145,000	-0-	3,301		100,000		4,125

(1) Mr. Faltin was hired on June 1, 2003 at an annual salary of \$180,000.

(2) Amounts represent contributions made by the Company under the Ballantyne Retirement and Savings Plan described herein.

(3) Amounts paid in 2005 for the fiscal 2004 year.

(4) The Company provides its executives with certain employee benefits. These benefits include excess life and disability insurance and personal use of company vehicles among other items. SEC rules do not require these benefits to be included in the Summary Compensation Table if such amounts are less than \$50,000 or 10% of the individual's salary and bonus. The Company has chosen to show these benefits in summary in Other Annual Compensation.

Stock Option Grants in Fiscal Year 2004

% of Total