

GLOBECOMM SYSTEMS INC
Form PRE 14A
October 01, 2004

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

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

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

Check the appropriate box:

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| Preliminary Proxy Statement | Confidential, for Use of the Commission Only
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| Definitive Proxy Statement | |
| Definitive Additional Materials | |
| Soliciting Material Pursuant to Rule 14a-12 | |

GLOBECOMM SYSTEMS INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, If Other Than the Registrant)

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No fee required.

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(3) Filing Party: _____

(4) Date Filed: _____

GLOBECOMM SYSTEMS INC.

45 Oser Avenue
Hauppauge, New York 11788

Notice of Annual Meeting of Stockholders
November 17, 2004

The Annual Meeting of Stockholders of Globecomm Systems Inc. (the "Company") will be held at the principal executive offices of the Company, 45 Oser Avenue, Hauppauge, New York 11788 on November 17, 2004, at 10:00 a.m. (eastern standard time) (the "Annual Meeting") for the following purposes:

- (1) To elect eight directors to serve until the next annual meeting or until their respective successors shall have been elected and qualified;
- (2) To consider and vote on a proposal to amend the Company's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock, par value \$.001 per share, of the Company (the "Common Stock");
- (3) To consider and vote on a proposal to amend the Company's Amended and Restated 1997 Stock Incentive Plan (the "1997 Plan") to increase the number of shares of Common Stock authorized to be issued under the 1997 Plan;
- (4) To consider and vote on a proposal to amend the 1997 Plan's Automatic Option Grant Program to (i) provide for an automatic annual grant of options to purchase 5,000 shares of Common Stock to each continuing non-employee member of the Company's board of directors and (ii) revise the vesting dates of the options granted to newly elected or appointed non-employee directors;
- (5) To ratify the appointment of Ernst & Young LLP, as independent auditors of the Company for the fiscal year ending June 30, 2005; and
- (6) To transact such other business as may properly come before the Annual Meeting.

Only stockholders of record at the close of business on October 6, 2004 will be entitled to notice of, and to vote at, the Annual Meeting. A list of stockholders eligible to vote at the Annual Meeting will be available for inspection at the Annual Meeting and for a period of ten days prior to the Annual Meeting during regular business hours at the principal executive offices of the Company at the address above.

Whether or not you expect to attend the Annual Meeting, your proxy vote is important to the Company. To assure your representation at the meeting, please sign and date the enclosed proxy card and return it promptly in the enclosed envelope, which requires no additional postage if mailed in the United States or Canada, or vote by telephone or over the Internet as described on the enclosed proxy card.

By Order of the Board of Directors

Paul J. Johnson
Secretary

October , 2004

IT IS IMPORTANT THAT THE ENCLOSED PROXY CARD
BE COMPLETED AND RETURNED PROMPTLY

GLOBECOMM SYSTEMS INC.

PROXY STATEMENT

October , 2004

This Proxy Statement is furnished to stockholders of record of Globecomm Systems Inc. (the "Company") as of October 6, 2004, in connection with the solicitation of proxies by the board of directors of the Company (the "Board of Directors" or "Board") for use at the Annual Meeting of Stockholders to be held at the principal executive offices of the Company at 45 Oser Avenue, Hauppauge, New York 11788 on November 17, 2004, at 10:00 a.m. (eastern standard time) (the "Annual Meeting").

Shares cannot be voted at the Annual Meeting unless the owner is present in person or by proxy. All properly executed and unrevoked proxies in the accompanying form that are received in time for the Annual Meeting will be voted at the meeting or any adjournment thereof in accordance with instructions thereon, or if no instructions are given, will be voted (1) "**FOR**" the election of the named nominees, (2) "**FOR**" the amendment of the Company's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock, par value \$.001 per share, of the Company (the "Common Stock"), (3) "**FOR**" the approval to increase the number of shares of Common Stock which may be issued under the Company's Amended and Restated 1997 Stock Incentive Plan (the "1997 Plan"), (4) "**FOR**" the amendment of the 1997 Plan's Automatic Option Grant Program to (i) provide for automatic annual grants of options to purchase 5,000 shares of Common Stock to each continuing non-employee member of the Board of Directors and (ii) revise the vesting dates of the options granted to newly elected or appointed non-employee directors and (5) "**FOR**" the ratification of Ernst & Young LLP, as independent auditors of the Company for the fiscal year ending June 30, 2005, and will be voted in accordance with the best judgment of the persons appointed as proxies with respect to other matters which properly come before the Annual Meeting. Any person giving a proxy may revoke it by written notice to the Company at any time prior to exercise of the proxy. In addition, although mere attendance at the Annual Meeting will not revoke the proxy, a stockholder who attends the Annual Meeting may withdraw his or her proxy by voting in person. The holders of the stock issued and outstanding and entitled to vote, present in person or by proxy, will be counted for purposes of determining whether a quorum is present at the Annual Meeting. Abstentions and broker non-votes will be counted for purposes of determining the presence or absence of a quorum for the transaction of business at the Annual Meeting. Abstentions will be counted in tabulations of the votes cast on each of the proposals presented at the Annual Meeting, whereas broker non-votes will not be counted for purposes of determining whether a proposal has been approved.

The Annual Report of the Company (which does not form a part of the proxy solicitation material), with the financial statements of the Company for the fiscal year ended June 30, 2004, is being distributed concurrently herewith to stockholders.

The mailing address of the principal executive offices of the Company is 45 Oser Avenue, Hauppauge, New York 11788. This Proxy Statement and the accompanying form of proxy are being mailed to the stockholders of the

Company on or about October , 2004.

VOTING SECURITIES

The Company has only one class of voting securities outstanding, its Common Stock. At the Annual Meeting, each stockholder of record at the close of business on October 6, 2004 will be entitled to one vote for each share of Common Stock owned by that stockholder on that date as to each matter presented at the Annual Meeting. On September 23, 2004, 14,832,024 shares of Common Stock were outstanding. A list of stockholders eligible to vote at the Annual Meeting will be available for inspection at the Annual Meeting and for a period of ten days prior to the Annual Meeting during regular business hours at the principal executive offices of the Company at the address specified above.

PROPOSAL 1

ELECTION OF DIRECTORS

Unless otherwise directed, the persons appointed in the accompanying form of proxy intend to vote at the Annual Meeting for the election of the eight nominees named below as directors of the Company to serve until the next annual meeting of stockholders or until their successors have been elected and qualified. If any nominee is unable to be a candidate when the election takes place, the shares represented by valid proxies will be voted in favor of the remaining nominees. The authorized number of directors is presently nine. Each of the current directors has been nominated for and has elected to stand for re-election, except for Stephen C. Yablonski, who has decided not to stand for re-election, but who shall remain on the Board of Directors through the Annual Meeting. The Board of Directors may fill the future vacancy upon identification of a qualified candidate. The Board of Directors does not currently anticipate that any nominee will be unable to serve as a director.

Stockholder Approval

The affirmative vote of a plurality of the shares of the Company's outstanding Common Stock voted by stockholders present in person or represented by proxy at the Annual Meeting and entitled to vote on the election of directors is required to elect the directors. Proxies may not be voted for more than eight directors.

Recommendation of the Board of Directors

The Board of Directors recommends that the stockholders vote "FOR" these nominees.

Information Regarding Nominees for Election as Directors

The following information with respect to the principal occupation or employment, other affiliations and business experience of each of the eight nominees has been furnished to the Company by such nominee. Except as indicated, each of the nominees has had the same principal occupation for the last five years.

Richard E. Caruso, 58, has been a director of the Company since February 2000. Since January 2004, Mr. Caruso has served as a Managing Director in the Communications Industry of BearingPoint, Inc., a provider of business consulting, systems integration and managed services. From 2001 to 2003, Mr. Caruso was a Senior Partner at TechLeaders Consulting, LLC, an information technology staffing and consulting company. From 1999 to 2001, Mr. Caruso served as President of Hosting Solutions and Storage Networking at Nortel Networks Corporation, a global

supplier of networking solutions and services that support the Internet. From 1994 to 1999, Mr. Caruso served as Vice President and General Manager of Solutions for IBM Global Telecom and Media Industries. From 1983 to 1994, Mr. Caruso held various positions with Bellcore, including Corporate Vice President of Industry Markets. Mr. Caruso holds a B.S. in Engineering from Rutgers University and an M.S. in Engineering from the New Jersey Institute of Technology.

David E. Hershberg, 67, founded the Company in 1994 and has served as its Chief Executive Officer and Chairman of the Board of Directors since its inception. From 1976 to 1994, Mr. Hershberg was the President of Satellite Transmission Systems, Inc., or STS, a provider of satellite ground segment systems and networks, which he founded and which became a subsidiary of California Microwave, Inc., or CMI, and is currently a subsidiary of L3 Communications Corporation. From 1990 to 1994, Mr. Hershberg also served as Group President of the Satellite Communications Group of CMI, where he also had responsibility for EFDData, Inc., a manufacturer of satellite communications modems, and for Viasat Technology Corp., a manufacturer of communications systems which specialized in portable and mobile satellite communications equipment. Mr. Hershberg is a director of Primus Telecommunications Group, Inc., a telecommunications company providing long distance services. Mr. Hershberg holds a B.S.E.E. from Rensselaer Polytechnic Institute, an M.S.E.E. from Columbia University and an M.S. in Management Science from Stevens Institute of Technology.

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Harry L. Hutcherson, Jr., 62, has been a director of the Company since November 2003. Since 1992, Mr. Hutcherson has been affiliated with Peterson Consulting, a unit of Navigant Consulting, Inc. that provides financial and business analysis on various large litigation support projects, as an independent contract consultant. Since 2004, Mr. Hutcherson has been providing certain consulting services to The World Bank. From 1977 through 1992, Mr. Hutcherson was an audit partner of Arthur Andersen LLP. Mr. Hutcherson is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants, the Greater Washington Society of Certified Public Accountants and the Virginia State Society of Certified Public Accountants. Mr. Hutcherson holds a B.S. in Accounting from the University of Richmond.

Brian T. Maloney, 50, has been a director of the Company since April 2002. From 2002 to September 2004, Mr. Maloney served as Chief Operating Officer for Perot Systems Corporation. From 1978 to 2002, Mr. Maloney held various positions with AT&T, most recently as Senior Vice President of AT&T, and President and Chief Executive Officer of AT&T Solutions. Mr. Maloney received a B.S. in English from Hunter College and an M.A. in English from Columbia University.

Kenneth A. Miller, 59, has served as President and a director since joining the Company in October 1994. From 1978 to 1994, he held various positions with STS, and succeeded Mr. Hershberg as President of STS in 1994. Prior to his employment at STS, Mr. Miller was Manager of Satellite Systems at Comtech Telecommunications Corp., and a Satellite Communications Staff Officer with the United States Army. Mr. Miller holds a B.S.E.E. from the University of Michigan and an M.B.A. from Hofstra University.

Jack A. Shaw, 65, has been a director of the Company since June 2004, when he was appointed by the Board of Directors. From 1998 to December 2003, Mr. Shaw held various positions at Hughes Electronics Corporation ("Hughes") most recently as its President and Chief Executive Officer and as a member of its board of directors. From 1998 to 2001, Mr. Shaw served as Senior Executive Vice President of Hughes. Mr. Shaw is currently a director of XM Satellite Radio Holdings Inc. and Guidant Corporation and is a senior member of the Institute of Electrical and Electronics Engineers. Mr. Shaw holds a B.S. in Electrical Engineering from Purdue University.

A. Robert Towbin, 69, has been a director of the Company since November 1997. Mr. Towbin has been the Managing Director of Stephens Inc. and Managing Executive of its subsidiary, Stephens Financial Group, since December 2001. From 2000 to 2001, he was Co-Chairman of C.E. Unterberg, Towbin and from 1995 to 1999 was Senior Managing Director of C.E. Unterberg, Towbin. From 1994 to 1995, Mr. Towbin was President and Chief Executive Officer of the Russian-American Enterprise Fund, a U.S. government-owned investment fund, and later, Vice Chairman of its successor fund, the U.S. Russia Investment Fund. He was a Managing Director of Lehman Brothers and its Co-Head of High Technology Investment Banking from 1987 until 1994. From 1959 to 1987 Mr. Towbin was Vice Chairman and a Director of L.F. Rothschild, Unterberg, Towbin Holdings Inc. and its predecessor companies. He serves on the board of directors of the following public companies: Gerber Scientific, Inc., North Fork Bancorporation, Inc. and K&F Industries Inc. Mr. Towbin holds a B.A. from Dartmouth College.

C. J. Waylan, 63, has been a director of the Company since January 1997. Dr. Waylan acts as an advisor to telecommunication and satellite companies. Since 1997 he has been President and Chief Executive Officer of CCI International, NV, a start-up mobile satellite communications company. From 1996 to 1997, he served as Executive Vice President of NextWave Telecom, Inc., a start-up provider of wireless communications. Prior to retiring in 1996, Dr. Waylan was an executive with GTE Corporation, where he served as Executive Vice President for GTE Mobilnet and President of GTE Spacenet Corporation. Dr. Waylan is the chairman of the board of directors of Radyne ComStream, Inc. and a director of CCI International, NV. Dr. Waylan holds a B.S. from the University of Kansas and an M.S.E.E. and a Ph. D. from the Naval Postgraduate School.

Committees of the Board

The Board of Directors currently has a standing Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. Each member of the Audit, Compensation and Nominating and Corporate Governance Committees is an independent director in accordance with the Nasdaq rules.

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Audit Committee. The Audit Committee of the Board of Directors currently consists of Mr. Hutcherson (Chairperson), Mr. Caruso, Mr. Maloney and Dr. Waylan, and reviews, acts on and reports to the Board of Directors with respect to various auditing and accounting matters, including the selection of the Company's auditors, the scope of the annual audits, fees to be paid to the auditors, the performance of the Company's independent auditors and the accounting practices of the Company. The Audit Committee also serves as the Board of Directors Qualified Legal Compliance Committee within the meaning of Section 307 of the Sarbanes-Oxley Act of 2002. The Board of Directors has determined that Mr. Hutcherson is qualified as an "audit committee financial expert" as defined in Item 401(h) of Regulation S-K. Mr. Hutcherson and each of the other members of the Audit Committee is an "independent director" as defined in Rule 4200(a)(15) of the Marketplace Rules of the National Association of Securities Dealers, Inc. The Company's Amended and Restated Audit Committee Charter, which was adopted by the Board of Directors on November 18, 2003, is attached hereto as Appendix A. The Audit Committee reviews the adequacy of its charter on an annual basis.

Compensation Committee. The Compensation Committee of the Board of Directors consists of Mr. Caruso (Chairperson), Mr. Maloney and Dr. Waylan, and determines the salaries and incentive compensation of the executive officers and directors of the Company. The Compensation Committee also administers various incentive compensation, stock and benefit plans, including awards to directors.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee, which currently consists of Mr. Maloney (Chairperson), Mr. Caruso, Mr. Towbin and Dr. Waylan, is responsible for searching for and recommending to the Board of Directors potential nominees for director positions, making recommendations to the Board of Directors regarding the size and composition of the Board of Directors and its committees, monitoring the Board's effectiveness and developing and implementing the Company's corporate governance procedures and policies. The Company's Board of Directors adopted a written charter for the Nominating and Corporate Governance Committee on June 24, 2004, a copy of which is attached as Appendix B.

In selecting candidates for the Board of Directors, the Nominating and Corporate Governance Committee begins by determining whether the incumbent directors whose terms expire at the annual meeting of stockholders desire and are qualified to continue their service on the Board of Directors. The Company is of the view that the continuing service of qualified incumbents promotes stability and continuity in the boardroom, giving the Company the benefit of the familiarity and insight into the Company's affairs that its directors have accumulated during their tenure, while contributing to the Board of Director's ability to work as a collective body. Accordingly, it is the policy of the Nominating and Corporate Governance Committee, absent special circumstances, to nominate qualified incumbent directors who continue to satisfy the Nominating and Corporate Governance Committee's criteria for membership on the Board of Directors, whom the Nominating and Corporate Governance Committee believes will continue to make important contributions to the Board of Directors and who consent to stand for re-election and, if re-elected, to continue their service on the Board of Directors.

If there are positions on the Board of Directors for which the Nominating and Corporate Governance Committee will not be re-nominating an incumbent director, or if there is a vacancy on the Board of Directors, the Nominating and Corporate Governance Committee will solicit recommendations for nominees from persons whom the Nominating and Corporate Governance Committee believes are likely to be familiar with qualified candidates, including members of the Board of Directors and senior management of the Company. The Nominating and Corporate Governance Committee may also engage a search firm to assist in the identification of qualified candidates.

The Nominating and Corporate Governance Committee will review and evaluate each candidate whom it believes merits serious consideration, taking into account all available information concerning the candidate, the existing composition and mix of talent and expertise on the Board of Directors and other factors that it deems relevant. In conducting its review and evaluation, the Nominating and Corporate Governance Committee may solicit the views of management and other members of the Board of Directors and may, if deemed helpful, conduct interviews of proposed candidates. The Nominating and Corporate Governance Committee requires that all candidates for the Board of Directors be of the highest personal and professional integrity and have demonstrated exceptional ability and judgment. The

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Nominating and Corporate Governance Committee will consider whether such candidate will be effective, in conjunction with the other members of the Board of Directors, in collectively serving the long-term interests of the Company's stockholders. In addition, the Nominating and Corporate Governance Committee requires that all candidates have no interests that materially conflict with those of the Company and its stockholders, have meaningful management, advisory or policy making experience, have a general appreciation of the major business issues facing the Company and have adequate time to devote to service on the Board of Directors. The Company also requires that a majority of its directors be independent; at least three of the directors have the financial literacy necessary for service on the Audit Committee and at least one of these directors qualifies as a financial expert in accordance with Nasdaq rules.

The Nominating and Corporate Governance Committee will consider stockholder recommendations for candidates for the Board of Directors if such recommendations are received in writing by the Nominating and Corporate Governance Committee by the due date for stockholder proposals as indicated in the Company's proxy statement for the previous fiscal year. Such candidates will be considered using the same criteria as for other candidates, except that the Nominating and Corporate Governance Committee may consider, as one of the factors in its evaluation of stockholder recommended candidates, the size and duration of the interest of the recommending stockholder or stockholder group in the equity of the Company. A stockholder seeking to recommend a prospective nominee for the Nominating and Corporate Governance Committee's consideration should submit the candidate's name and qualifications in writing to the Nominating and Corporate Governance Committee at the following address: Globecomm Systems Inc., 45 Oser Avenue, Hauppauge, NY 11788, Attention: Nominating and Corporate Governance Committee.

Compensation Committee Interlocks and Insider Participation

The Company's Compensation Committee consists of Mr. Caruso (Chairperson), Mr. Maloney and Dr. Waylan. None of these individuals has ever been an officer or employee of the Company.

Communications with the Board of Directors

Stockholders and other interested parties may communicate with the Board, the non-management directors as a group, any committee of the Board or any individual member of the Board, including the Chairperson of the Nominating and Corporate Governance Committee, by either writing the Company's Corporate Secretary at 45 Oser Avenue, Hauppauge, New York 11788 or electronically mailing the Company's Corporate Secretary at pjohnson@globecommsystems.com. All communications will be reviewed by the Company's Corporate Secretary, who will then forward such communications or a summary thereof to the appropriate directors. Any communication related to accounting, internal controls or auditing matters will be brought promptly to the attention of the Chairperson of the Audit Committee.

Attendance at Board and Committee Meetings

During fiscal 2004, the Board of Directors held four regular meetings. There were twelve meetings of the Audit Committee, one meeting of the Compensation Committee, two meetings of the Nominating and Corporate Governance Committee and one meeting of the non-employee directors during fiscal 2004. Directors are expected to attend all scheduled Board and Committee meetings and in no event less than 75% of such meetings annually. All directors attended 75% or more of the (i) meetings of the Board of Directors and (ii) meetings of the Committees of the Board on which they served. The non-employee directors are required have at least one regularly scheduled meeting a year without management present. All of the then current directors attended the Company's 2003 Annual Meeting of Stockholders.

Code of Ethics and Business Conduct

The Company has adopted a Code of Ethics and Business Conduct which applies to all employees of the Company, including its principal executive officer, principal financial officer and controller. The Company shall provide a copy of its Code of Ethics and Business Conduct to any person without charge, upon request. Requests for a copy of the Code of Ethics and Business Conduct can be made in writing to the following address: Globecomm Systems Inc., 45 Oser Avenue, Hauppauge, NY 11788, Attention: Paul Eterno, or by calling the Company at (631) 231-9800.

Section 16(a) Beneficial Ownership Reporting Compliance

Under the requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended, the Company's directors, executive officers, and any persons holding more than ten percent of the Common Stock are required to report their ownership of the Common Stock and any changes in that ownership to the Securities and Exchange Commission (the "Commission"), and the Nasdaq National Market Surveillance Department. Specific due dates for these reports have been established by the Commission and the Company is required to report in this Proxy Statement any failure to file by these dates during the fiscal year ended June 30, 2004. The Company believes that during the fiscal year ended June 30, 2004, all filing requirements under Section 16(a) applicable to its officers, directors and greater than ten percent beneficial owners were complied with on a timely basis.

Compensation of Directors

All non-employee directors of the Company receive an annual fee of \$12,000 for their service on the Board of Directors, plus \$1,000 per Board meeting attended and \$1,200 annually per committee on which they serve. Members of the Audit Committee receive an additional \$500 per Audit Committee meeting attended and the Chairperson also receives \$6,200 annually for service on the Audit Committee. These directors are also reimbursed for certain expenses incurred in connection with attendance at Board meetings. Directors who are also employees of the Company do not receive any cash compensation for their service as directors.

Mr. Maloney and Dr. Waylan elected to receive part or all of their 2004 annual fee in options pursuant to the 1997 Plan's Director Fee Option Grant Program. Mr. Maloney elected to receive \$6,000 of his \$12,000 annual fee compensation as an option to purchase 2,045 shares of Common Stock at \$1.47 per share, and Dr. Waylan elected to receive the full amount of his \$12,000 annual fee compensation as an option to purchase 4,091 shares of Common Stock at \$1.47 per share.

Mr. Caruso, Mr. Maloney, Mr. Towbin and Dr. Waylan were each granted an option to purchase 10,000 shares of Common Stock for their service on the Board.

Stock Option Grant. Under the Automatic Option Grant Program of the 1997 Plan, each individual who becomes a non-employee Board member on or after August 7, 1997 will be granted an option to purchase 15,000 shares of Common Stock on the date such individual joins the Board, provided that such individual has not been in the prior employ of the Company. Under the Discretionary Option Grant Program of the 1997 Plan, non-employee Board members can be granted options to purchase shares of Common Stock at the discretion of the 1997 Plan's plan administrator, which is currently the Compensation Committee. As described below, the Company is proposing that the 1997 Plan be amended to provide for automatic annual grants of options to purchase 5,000 shares of Common Stock to continuing non-employee directors.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Executive Officers

The executive officers of the Company are the following:

Name	Age	Position
David E. Hershberg	67	Chief Executive Officer and Chairman of the Board of Directors of the Company
Kenneth A. Miller	59	President and Director of the Company
Stephen C. Yablonski	57	

	Senior Vice President Sales, Marketing and Product Development and Director
Paul J. Johnson	49 Vice President of Contracts and Corporate Secretary
Andrew C. Melfi	51 Vice President, Chief Financial Officer and Treasurer
Paul Eterno	49 Vice President of Human Resources

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Information Concerning Executive Officers Who are Not Directors or are Not Nominees for Election as Directors

Stephen C. Yablonski, 57, has served as Vice President and a director since joining the Company in June 1995. Mr. Yablonski has decided not to stand for re-election as a director, but shall remain on the Board of Directors through the Annual Meeting. In January 2003, he was promoted to the position of Senior Vice President Sales, Marketing and Product Development. From November 1999 to December 2002 he held the position of General Manager. From 1988 to 1995, he was employed by STS, most recently as Vice President of the Commercial Systems and Networks Division. Prior to his employment at STS, he was Vice President of Engineering at Argo Communications, a telecommunications services provider. Mr. Yablonski holds a B.S.E.E. from Brown University and an M.S.E.E. from the University of Pennsylvania.

Paul J. Johnson, 49, has served as Vice President of Contracts since joining the Company in October 1996 and as Corporate Secretary since 1998. From 1991 to 1996, he was Director of Contracts for STS. Mr. Johnson holds a B.B.A. from St. Bonaventure University.

Andrew C. Melfi, 51, has served as Vice President and Treasurer since September 1997 and as Chief Financial Officer since joining the Company in January 1996. From 1982 to 1995, he was the Controller of STS. Mr. Melfi holds an M.B.A. and a B.B.A. in Accounting from Dowling College.

Paul Eterno, 49, has served as Vice President of Human Resources of the Company since November 1999 and he served as Senior Director of Human Resources from 1998 to 1999. From 1997 to 1998, Mr. Eterno served as a consultant to the Company. From 1995 to 1997, he served as Senior Vice President of Human Resources for US Computer Group, a turnkey provider of computer service maintenance and products. Prior to that, he served most recently as Senior Director of Human Resources at STS, where he was employed from 1983 to 1995. Mr. Eterno holds a B.S. in Management from the New York Institute of Technology and an M.B.A. in Executive Management from St. John's University.

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Summary Compensation Table

The following table sets forth information concerning the compensation paid by the Company for services rendered during the fiscal years ended June 30, 2004, 2003 and 2002 to: (i) the Company's Chief Executive Officer and (ii) the four other most highly paid executive officers of the Company, each of whose compensation during fiscal 2004 was at least \$100,000 (together with the Chief Executive Officer, the "Named Executive Officers"). None of the Named

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Executive Officers who were named in the Company's Proxy Statement for the fiscal year ended June 30, 2004 was dismissed.

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation Securities	
		Salary(1)	Bonus	Underlying Options	All Other Compensation(2)
David E. Hershberg, Chairman and Chief Executive Officer	2004	\$ 320,000	\$ 25,000	20,000	—
	2003	308,462	60,000	40,000	\$ 16,000
	2002	300,000	—	30,000	4,700
Kenneth A. Miller, President	2004	249,000	20,000	15,000	—
	2003	230,193	50,000	30,000	15,060
	2002	216,400	—	40,000	2,252
Stephen C. Yablonski, Senior Vice President Sales, Marketing and Product Development	2004	190,000	12,000	15,000	—
	2003	175,000	40,000	20,000	3,400
	2002	164,000	—	32,000	6,775
Andrew C. Melfi, Vice President, Chief Financial Officer and Treasurer	2004	175,000	17,000	15,000	—
	2003	155,962	20,000	20,000	7,250
	2002	142,000	—	42,000	5,867
Paul J. Johnson, Vice President of Contracts and Corporate Secretary	2004	140,185	17,000	10,000	—
	2003	129,481	70,000	15,000	2,765
	2002	124,700	—	32,000	2,559

(1) Other compensation in the form of perquisites and other personal benefits has been omitted as the aggregate amount of such perquisites and other personal benefits constituted the lesser of \$50,000 or 10% of the total annual salary and bonus of the Named Executive Officer for such year.

(2) Includes annual Company contributions to the Company's 401(k) plan.

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Option Grants in Last Fiscal Year

The following table sets forth information regarding option grants made pursuant to the 1997 Plan during fiscal 2004 to each of the Named Executive Officers. The Company has never granted any stock appreciation rights.

Name	Number of Shares Underlying Options Granted (1)	Percentage of Total Options Granted (2)	Exercise Price (3)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (4)	
					5%	10%
David E. Hershberg	20,000	4.25%	\$ 3.3500	09/25/13	\$ 42,136	\$ 106,781
Kenneth A. Miller	15,000	3.19	3.3500	09/25/13	31,602	80,086
Stephen C. Yablonski	15,000	3.19	3.3500	09/25/13	31,602	80,086
Andrew C. Melfi	15,000	3.19	3.3500	09/25/13	31,602	80,086
Paul J. Johnson	10,000	2.13	3.3500	09/25/13	21,068	53,390

(1) Each option grant becomes exercisable in four equal annual installments commencing one year after the date of the option grant.

(2) Based on options to purchase an aggregate of 470,136 shares of Common Stock granted to employees in fiscal 2004, including options granted to the Named Executive Officers.

(3) The exercise price may be paid in one or more of the following forms: (i) cash or check made payable to the Company, (ii) shares of Common Stock held for the requisite period necessary to avoid a charge to the Company's earnings for financial reporting purposes and valued at fair market value on the date of exercise or (iii) through a special sale and remittance procedure through a broker.

(4) Amounts represent hypothetical gains that could be achieved for the respective options at the end of the ten-year option term. The assumed 5% and 10% rates of stock appreciation are mandated by rules of the Commission and do not represent the Company's estimate of the future market price of the Common Stock.

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

The following table sets forth, for each of the Named Executive Officers, certain information concerning option exercises and the value of unexercised options at the end of fiscal 2004.

Name	Shares Acquired on Exercise	Value Realized	Number of Unexercised Shares Underlying Options		Net Values of Unexercised In-the-Money Options(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
David E. Hershberg	—	—	82,766	80,000	\$ 27,800	\$ 96,600
Kenneth A. Miller	—	—	160,718	63,750	64,892	75,525
Stephen C. Yablonski	10,000	\$ 17,850	149,265	48,500	66,870	59,800
Andrew C. Melfi	2,600	7,540	126,378	62,250	26,198	61,850
Paul J. Johnson	7,000	13,798	75,625	43,500	6,955	44,538

(1) Value is defined as the fair market price of the Company's Common Stock at June 30, 2004, less the exercise price. On June 30, 2004, the closing selling price of a share of the Company's Common Stock was \$5.24.

Employment Contracts and Change of Control Arrangements

In October 2001, the Company entered into employment agreements (the "Executive Agreements") with each of Messrs. Hershberg, Miller, Yablonski, Melfi and Johnson (each, an "Executive"). The Executive Agreements continue from year to year, unless terminated earlier by either party by written notice of termination given to the other party. Each Executive Agreement entitles the Executive to all employee benefits generally made available to executive officers.

Under the Executive Agreements between the Company and each of Messrs. Hershberg, Miller, Yablonski, Melfi and Johnson, the Company is currently required to compensate Messrs. Hershberg, Miller, Yablonski, Melfi and Johnson an annual base salary of \$320,000, \$249,000, \$190,000, \$175,000 and \$142,800, respectively (which amounts are reviewed annually by the Board of Directors and subject to increase at the Board's discretion). The Executives may also receive discretionary bonuses. Messrs. Hershberg, Miller, Yablonski, Melfi and Johnson are required to devote their full-time efforts to the Company as Chairman of the Board and Chief Executive Officer, President, Senior Vice President Sales, Marketing and Product Development, Vice President and Chief Financial Officer and Vice President of Contracts, respectively. If the Company terminates any of the Executive Agreements, other than for disability or cause, or if any Executive terminates his employment with the Company for Good Reason (as defined in each Executive Agreement), the Company will have the following obligations: (i) to continue to pay the Executive his then applicable annual base salary for a two-year period commencing upon the effective date of the termination (the "Severance Period"); provided, however, that the Severance Period for Messrs. Hershberg and Miller shall be a three-year period commencing on the effective date of the termination; (ii) to pay for continued health benefits during the Severance Period; and (iii) to pay the cash value of certain other benefits during the Severance Period.

If the Executive does not provide the Company notice of resignation and remains employed by the Company through the one-year anniversary of a Change in Control, as defined in the 1997 Plan, the Executive shall be paid a one-time bonus payment equal to 300%, in the cases of Messrs. Hershberg and Miller, and 200%, in the cases of Messrs. Yablonski, Melfi and Johnson, of his then applicable annual base salary (the "Retention Bonus"); provided that the Executive must execute and deliver to the Company a general release as a condition of receiving the Retention Bonus. If an Executive gives notice of his resignation for Good Reason within one year after a Change in Control, and the Company requests that the Executive continue his employment until a date no later than the first anniversary of the Change in Control, then the Executive shall receive the severance payments and benefits described above only if he continues his employment until that date.

The 1997 Plan provides for the accelerated vesting of the shares of Common Stock subject to outstanding options held by any executive officer or the shares of Common Stock subject to direct issuances held by any such individual, in connection with certain changes in control of the Company or the subsequent termination of the executive officer's employment following the change in control.

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COMPENSATION COMMITTEE REPORT

The information contained in this report shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the Securities and Exchange Commission, or subject to the liabilities of Section 18 of the Securities and Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates

it by reference into a document filed under the Securities Act of 1933, as amended, or Securities Exchange Act of 1934, as amended.

The Compensation Committee of the Board of Directors is responsible for establishing the base salary and incentive cash bonus programs for the Company's executive officers and directors and administering certain other compensation programs for such individuals, subject in each instance to review by the full Board of Directors. The Compensation Committee also is responsible for the administration of the 1997 Plan under which grants may be made to executive officers and directors. The Board of Directors has reviewed the report of the Compensation Committee, and is in accord with, the compensation paid to executive officers in fiscal 2004.

General Compensation Policy. The fundamental policy of the Compensation Committee is to provide the Company's executive officers with competitive compensation opportunities based upon their contribution to the development and financial success of the Company and their personal performance. It is the Compensation Committee's objective to have a portion of each executive officer's compensation contingent upon the Company's performance, as well as upon his own level of performance. Accordingly, the compensation package for each executive officer is comprised of two elements: (i) base salary and bonus which reflects individual performance and is designed primarily to be competitive with salary levels in the industry and (ii) long-term stock-based incentive awards which strengthen the mutuality of interests between the executive officers and the Company's stockholders.

Factors. The principal factors that the Compensation Committee considered in ratifying the components of each executive officer's compensation package for fiscal 2004 are summarized below. The Compensation Committee may, however, in its discretion apply entirely different factors in setting executive compensation for future years.

- **Base Salary.** The base salary for each executive officer is determined on the basis of the following factors: experience; personal performance; the salary levels in effect for comparable positions within and outside the industry; and internal base salary comparability considerations. The weight given to each of these factors differs from individual to individual, as the Compensation Committee deems appropriate.
- **Bonus.** The Committee may authorize cash bonuses if such bonuses are deemed to be in the best interest of the Company. The circumstances for such awards may vary but may include bonus payments pursuant to the terms of negotiated employment arrangements. The Compensation Committee determined that each executive officer would receive a discretionary bonus in fiscal 2004 based upon the recommendation of the Chief Executive Officer of the Company.
- **Long-Term Incentive Compensation.** Long-term incentives are provided through stock option grants. The grants are designed to align the interests of each executive officer with those of the stockholders and provide each individual with a significant incentive to manage the Company from the perspective of an owner with an equity stake in the Company. Each grant allows the individual to acquire shares of the Company's Common Stock at a fixed price per share over a specified period of time (up to 10 years). Each option generally becomes exercisable in installments over a four-year period, contingent upon the executive officer's continued employment with the Company. Accordingly, the option will provide a return to the executive officer only if the executive officer remains employed by the Company during the vesting period, and then only if the market price of the underlying shares appreciates over the option term.

The number of shares subject to each option grant is set at a level intended to create a meaningful opportunity for stock ownership based on the officer's current position with the Company, the base salary associated with that position, the size of comparable awards made to individuals in similar positions within the industry, the individual's potential for increased responsibility and promotion over the option term and the individual's performance in recent periods. The Compensation Committee also considers the

number of unvested options held by the executive officer in order to maintain an appropriate level of equity incentive for that individual. However, the Compensation Committee does not adhere to any specific guidelines as to the relative option holdings of the Company's executive officers. There were stock options granted to executive officers in fiscal 2004 to purchase an aggregate of 85,000 shares of Common Stock.

CEO Compensation. In setting the compensation payable to the Company's Chief Executive Officer, the Compensation Committee seeks to achieve two objectives: (i) establish a level of base salary competitive with that paid by companies within the industry which are of comparable size to the Company and by companies outside of the industry with which the Company competes for executive talent, and (ii) make a significant percentage of the total compensation package contingent upon the Company's performance and stock price appreciation, pursuant to the terms of Mr. Hershberg's employment agreement. In fiscal 2004, as part of his compensation, Mr. Hershberg received a \$25,000 bonus and an option to purchase 20,000 shares of Common Stock as a long-term stock-based incentive award.

The base salary established for Mr. Hershberg on the basis of the foregoing criteria was intended to provide a level of stability and certainty each year. Accordingly, this element of compensation was not affected to any significant degree by Company performance factors.

Director Compensation. The Compensation Committee reviewed the current level of compensation for non-employee members of the Board and considered it to be consistent with that provided to non-employee directors of technology-related companies of similar size.

Director Option Grant Policy. As plan administrator of the 1997 Plan, the Compensation Committee may, in its discretion, grant options from time to time to non-employee members of the Board under the Discretionary Option Grant component of the 1997 Plan. The basis for such grants is the Compensation Committee's assessment of each Board member's specific contributions to the Company during the course of the year. The circumstances and amounts of such grants may vary based on the Compensation Committee's assessment.

Compliance with Internal Revenue Code Section 162(m). Section 162(m) of the Internal Revenue Code, enacted in 1993, generally disallows a tax deduction to publicly held companies for compensation exceeding \$1.0 million paid to certain of the corporation's executive officers. The limitation applies only to compensation, which is not considered to be performance-based. The non-performance based compensation paid to the Company's executive officers for the 2004 fiscal year did not exceed the \$1.0 million limit per officer, nor is it expected that the non-performance based compensation to be paid to the Company's executive officers for fiscal 2005 will exceed that limit. The 1997 Plan is structured so that any compensation deemed paid to an executive officer in connection with the exercise of option grants made under that plan with an exercise price equal to the fair market value of the option shares on the grant date will qualify as performance-based compensation which will not be subject to the \$1.0 million limitation. Because it is very unlikely that the cash compensation payable to any of the Company's executive officers in the foreseeable future will approach the \$1.0 million limit, the Compensation Committee has decided at this time not to take any other action to limit or restructure the elements of cash compensation payable to the Company's executive officers. The Compensation Committee will reconsider this decision should the individual compensation of any executive officer ever approach the \$1.0 million level.

THE COMPENSATION COMMITTEE

Richard E. Caruso (Chairperson)
Brian T. Maloney
C. J. Waylan

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REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The information contained in this report shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the Securities and Exchange Commission, or subject to the liabilities of Section 18 of the Securities and Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference into a document filed under the Securities Act of 1933, as amended, or Securities Exchange Act of 1934, as amended.

The following is the report of the Audit Committee with respect to the Company's audited financial statements for the fiscal year ended June 30, 2004, included in the Company's Annual Report on Form 10-K for that year.

The Audit Committee has reviewed and discussed the audited financial statements of the Company for the fiscal year ended June 30, 2004 with the Company's management. The Audit Committee has discussed with Ernst & Young LLP, the Company's independent auditors, matters required to be discussed by Statement on Auditing Standards No. 61 ("Communication with Audit Committees"), as amended, which includes, among other things, matters related to the conduct of the audit of the Company's financial statements.

The Audit Committee has received the written disclosures and the letter from Ernst & Young LLP required by Independence Standards Board Standard No. 1, "Independence Discussion with Audit Committees", as amended, and the Audit Committee has discussed with Ernst & Young LLP its independence from the Company.

Based on the Audit Committee's review and discussions noted above, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2004 for filing with the Securities and Exchange Commission.

THE AUDIT COMMITTEE

Harry L. Hutcherson, Jr. (Chairperson)
Richard E Caruso
Brian T. Maloney
C. J. Waylan

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PERFORMANCE GRAPH

Set forth below is a graph comparing the cumulative total stockholder return, assuming dividend reinvestment of \$100 invested in the Company's Common Stock on June 30, 1999 through June 30, 2004 with the cumulative total return, assuming dividend reinvestment of \$100 invested in the Nasdaq Stock Market (U.S.) Index and a Self-Constructed Peer Group Index. The peer group consists of the following companies: Comtech Telecommunications Corp., EMS Technologies, Inc., Radyne ComStream, Inc. and ViaSat, Inc.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN
AMONG GLOBECOMM SYSTEMS INC.
THE NASDAQ STOCK MARKET (U.S.) INDEX
AND A PEER GROUP

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PROPOSAL 2

AMENDMENT TO THE COMPANY'S AMENDED AND RESTATED CERTIFICATE
OF INCORPORATION TO INCREASE THE NUMBER OF THE COMPANY'S
AUTHORIZED SHARES OF COMMON STOCK

You are being asked to approve an amendment to Article IV of the Company's Amended and Restated Certificate of Incorporation (the "Certificate"), which would increase the number of authorized shares of Common Stock from 22,000,000 shares to 50,000,000 shares (the "Amendment").

The Board of Directors believes that it is in the best interests of the Company and its stockholders to amend the Certificate to give effect to the proposed Amendment. If the Amendment is approved, the additional authorized shares of Common Stock will be available for issuance from time to time for such purposes and consideration as the Board of Directors may approve, and no further vote of the stockholders of the Company will be sought unless such vote is

required for a particular issuance by law or the rules of any national securities exchange on which the Common Stock may then be listed or the Nasdaq Stock Market, as the case may be.

As of September 23, 2004, there were 14,832,024 shares of Common Stock issued and outstanding, and approximately 5,197,382 shares of Common Stock reserved for issuance upon exercise of options and warrants and upon purchases pursuant to the Company's 1999 Employee Stock Purchase Plan. Accordingly, only 1,970,594 shares of Common Stock were available for future corporate uses.

The proposed increase in the number of authorized shares of Common Stock has been recommended by the Board of Directors to assure that an adequate supply of authorized but unissued shares is available for potential offerings, acquisitions and financings and for general corporate purposes. The Board of Directors considers the proposed increase in the number of authorized shares desirable because it will enable the Company to pursue opportunities which the Board of Directors believes provide the Company with