GLOBECOMM SYSTEMS INC
Form 10-K
September 13, 2010

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

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 30, 2010
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from   to
Commission File Number 000-22839

GLOBECOMM SYSTEMS INC.
(exact name of registrant as specified in its charter)

Delaware	**11-3225567**
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)
45 Oser Avenue,	**11788**
Hauppauge, NY	(Zip Code)
(Address of principal executive offices)	

Registrant s telephone number, including area code: (631) 231-9800
Securities registered pursuant to Section 12(b) of the Act:

	Name of each exchange
Title of each class	**on which registered**
Common Stock, $0.001 Par Value	NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act: None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o   Accelerated filer x   Non-accelerated filer o   Smaller reporting company o
                         (Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act). Yes o No x

Based on the closing sale price on the Nasdaq Global Market on December 31, 2009, the last business day of the registrant s most recently completed second fiscal quarter, the aggregate market value of the registrant s common stock, $0.001 par value per share (the Common Stock) held by non-affiliates of the registrant on such date was approximately $157.1 million. For purposes of this calculation, only executives and directors are deemed to be affiliates of the registrant.

As of September 9, 2010, there were 22,109,643 shares of the registrant s Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The Proxy Statement of Globecomm Systems Inc. relative to the 2010 Annual Meeting of Stockholders to be held on November 18, 2010, is incorporated by reference into Part III of this Annual Report on Form 10-K.

PART I

Item 1.   Business

Overview

Globecomm Systems Inc., or Globecomm, is a leading global provider of satellite-based managed network solutions. Employing our expertise in emerging communication technologies we are able to offer a comprehensive suite of system integration, system products, and network services enabling a complete end-to-end solution for our customers. We believe our integrated approach of in-house design and engineering expertise combined with a world-class global network and our 24 by 7 network operating centers provides us a unique competitive advantage. We are now taking this value proposition to selective vertical markets, including government, wireless, media, enterprise and maritime.

As a network solution provider we leverage our global network to provide customers managed access services to the United States Internet backbone, video content, the public switched telephone network or their corporate headquarters or government offices. We currently have customers for which we are providing such services in the United States, Europe, South America, Africa, the Middle East and Asia.

Globally, communications networks are moving rapidly toward Internet protocol-based networks and services based on the lower cost of implementation and the flexibility these networks offer. Satellite-based communications complement this trend as many of the regions in the world lack the   next generation   terrestrial networks required to accommodate the rapid and reliable transmission of the vast amounts of information underlying the growth in traffic. Even in a well connected area of the globe, satellite communications offer a diverse network path in support of disaster recovery and network augmentation.

We were incorporated in Delaware in August 1994. Our Globecomm Systems division provides our infrastructure solutions. Our services are principally provided by our wholly-owned subsidiaries, Globecomm Network Services Corp. (GNSC), a Delaware corporation, and Globecomm Services Maryland LLC (GSM), a Delaware limited liability company. In July 2008, we formed Cachendo LLC, (Cachendo) a wholly-owned Delaware limited liability company, to operate our professional engineering services business. In fiscal 2009, we added two companies to our services business through the acquisition of B.V. Mach 6 (Mach 6), a Netherlands company headquartered near Amsterdam, and Telaurus Communications LLC (Telaurus), a Delaware limited liability company, based in New Jersey. In fiscal 2010, we added two companies to our services business through the acquisition of Carrier to Carrier Telecom B.V. (C2C) and Evocomm Communications Limited (Evocomm).

Growth Strategy

Our growth strategy continues to focus on the development of recurring revenue streams by leveraging our engineering expertise and our global network to provide IP networking solutions for mission critical applications. Our strong service platform foundation allows us to continue to develop additional value-added solutions for our core customers. We will continue to mature this global platform as we integrate our new acquisitions and expand the reach of our managed network solution offerings.

We have supplemented our organic growth through acquisitions. With the recent completion of the C2C and Evocomm acquisitions we have broadened our solutions offerings, enhanced our position within the markets that we currently service and positioned ourselves to penetrate new markets. We believe that the satellite services market is fragmented and that there are, and will be, additional acquisition opportunities that may meet our acquisition criteria. We plan to continue to employ a selective and disciplined approach when evaluating acquisition opportunities.

We have focused our efforts toward increasing market share through vertical markets with the creation of value-added service solutions in emerging market niches. This has been supplemented by an ongoing effort to identify and develop select research and development projects and network components into marketable shared-service hosted platforms. With the natural cycle of technology advancement and the

2

continued convergence of communications applications to Internet protocol, we remain excited about the new addressable market opportunities.

Solution Offerings

We provide our managed network solutions business through two business segments. Our services segment, through GNSC, GSM, Cachendo, Melat, Mach 6, Telaurus, C2C and Evocomm, provides satellite communication services capabilities, which include our Access, Hosted and Lifecycle Support service lines. Our infrastructure segment, through Globecomm Systems Inc., is engaged in the design, assembly and installation of ground segment systems and networks, which includes both our pre-engineered products and our custom systems design and integration product lines.

Services Solution Overview

We work to continually evolve our service platforms to meet the communication needs of our customers. Our customer base has grown as our service and customer support have proven the value of outsourced services. Our strategy includes offering flexible service-based solutions with fixed monthly pricing in order to make it easy for our customers to support an outsourcing decision.

Our global network is comprised of three teleport or data center facilities, our Kenneth A. Miller International Teleport, located in Hauppauge, New York, our GSM facility located in Laurel, Maryland and our new facility the C2C teleport in the Netherlands, added through the recent C2C acquisition. These facilities are interconnected via terrestrial capacity and are used to transport signals to serve customers in Latin America, the United States, Canada, Europe, the Middle East, Africa and Asia. Our facilities are designed to meet stringent requirements for high-speed data communications and leverage redundant critical systems and uninterruptible power supplies with back-up power generation to ensure high reliability and availability.

We also lease facility services in Los Angeles, Hong Kong, the United Kingdom, the Netherlands and Poland to transport signals to other areas of the world. We lease satellite and terrestrial capacity to meet the bandwidth needs of our customers. We continue to expand our high-capacity fiber connections between facilities and public Point of Presence (POP) locations to provide higher throughput and easier accessibility to our customer networks.

We have built and staff a centralized global network operation center, or NOC, at our Hauppauge, New York facility to provide our centralized global services. We also have regional NOCs in Maryland and the Netherlands. The NOCs operate twenty-four hours per day, seven days per week, or 24/7, to monitor customer networks, provide help desk services, respond to customer inquiries and initiate new services. The NOCs provide on a 24/7 basis technology specific engineers to assist our customers with troubleshooting and problem resolution. We utilize our internally developed AxxSys Orion network management systems to monitor and control satellite communication equipment and satellite terminal networks at our NOCs. At our GSM facility in Laurel, Maryland and our Mach 6 and C2C facilities in the Netherlands, we have regional data centers that provide 24/7 localized technical support to our customers. We also leverage these facilities to dispatch technical personnel to support our lifecycle services offering.

Our service-based offerings are continuously being fine-tuned partly through customer-funded programs and partly through internally funded programs. Our goal is to create high value customized solutions for our customers that are based on standardized building blocks, or service lines. The following service lines are the focal point of our evolving strategy.

Access Service Line

Our core service line, Access, supports transport and connectivity for video, voice and data services globally. The Access service line consists of specific products to address this diverse marketplace. The Access business is currently the largest component of the services revenue mix. The recent acquisitions, along with the integration of GSM, have expanded the Access business. Access services are driven by leveraging our core service communication infrastructure to create the standard product sets within our

3

Access service line. As part of our expansion, we look to maximize utilization and drive growth with the Access product sets described below.

Access Plus utilizes a combination of terrestrial connectivity, satellite bandwidth and our teleports, along with a variety of remote very small aperture terminal, or VSATs, or a network of VSATs, to provide end-to-end connectivity. Our VSAT hubs, at our teleports coupled with the extension and expansion of our terrestrial backbone network to these locations provide us with global VSAT coverage. This coverage and flexibility provide a wide range of services encompassing fundamental satellite technologies, including:

Single Channel per Carrier (SCPC)

Multiple Channel per Carrier (MCPC)

Time Division Multiple Access (iDirect)

Deterministic SCPC (Vipersat)

Access Video Backhaul based upon Access Plus, is specifically developed for video-centric delivery. The primary technology enabling this service is the Digital Video Broadcast standard (DVB/DVB-S2). Our Access Video Backhaul product leverages the core service elements with a greater concentration on maximizing video throughput while ensuring the highest service availability into potentially residential-grade reception systems or to cable head ends. The current evolution of IP-centric video delivery will continue to shape new technologies in this arena. The current adoption of H.264 and MPEG-4 technologies has been slow, though they continue to gain ground. As the industry evolves, we will continue to position the Access Video Backhaul product within the market to offer the greatest amount of value to the end user. Specifically, we look to retain the current platform in place and continue to offer services with only gradual adaptation of new technology to ensure a broad market access until end-users have widely adopted the new technology.

Access Voice Termination is also based upon the Access Plus product and is specifically designed for voice trunking services. We are licensed by the FCC to deliver high quality, toll-based termination of voice calls while leveraging high compression and highly reliable connectivity between the Globecomm network and the voice origination network. This differentiates us from many low cost providers. In addition, we often take advantage of utilizing pre-existing links, which allows us to position the Access Voice Termination product as extremely competitive alongside high value voice over IP providers while delivering a superior service in terms of features (caller ID, signaling pass through, etc.) and overall quality.

Access Bandwidth is one of the largest elements of our cost of doing business, but it is also an asset which we utilize as a source of revenue. After combining resources with our recent acquisitions, we lease close to two GHz of total satellite bandwidth across the globe for different frequencies, coverage areas and polarizations. Given our increased demand, we are able to leverage our increased buying power in the satellite provider market, and are often capable of procuring bandwidth at very competitive rates. Accordingly, we leverage our current inventory of capacity or resell our provider s capacity. We continually attempt to optimize and consolidate bandwidth to ensure attractive margins while being cost-competitive compared to our competitors and competing mediums. This service is a derivative of our base Access line and affords us the ability to provide long-term satellite bandwidth resale opportunities with minimal overall risk.

Access Maritime is technically similar to our Access Plus line but is customized for the maritime industry by supporting traditional narrowband services as provided by Telaurus and Evosat. This product provides vessel operators with traditional IP services, including; e-mail, Internet, video streaming, virtual private network and voice

over IP applications. Access Maritime incorporates Inmarsat and Iridium services to provide a full feature set of solutions to the maritime market. We will look to capitalize on the convergence of Geo-stationary satellite, Inmarsat, and Iridium technologies to provide a single ubiquitous service to the maritime market that will help drive higher IP throughput at a lower cost to the vessel operator.

4

Access Hardware products range from VSAT terminals to IP-centric routing hardware and co-location hardware. Frequently, our Access Hardware products are shipped, installed and maintained globally. The ability to offer a complete solution through the Access Hardware product line thus enables the delivery of our services on a global level. Our Access Hardware product line provides us with the opportunity to offer lifecycle support services for this equipment.

AccessX®, our new X-Band based service, again is technically similar to our Access Plus line, though customized for the military market, operates on commercial X-Band frequencies. Only recently have commercial X-Band frequencies been made available for use. We can offer X-Band services through our partnership with our Poland teleport operator. We have successfully tested and operated on XTAR and Paradigm X-Band fleets into our TomCat® product. We are one of the only providers that manufacture microsat terminals and can provide the service into the terminals it supplies via our Access X® service offering.

Overall, our Access service line continues to offer us the ability to grow our business. In addition to the growth that is offered through this line, the Access products, when considered with our customers drive to outsource their entire networks, is one of the prime mechanisms that has driven our Lifecycle Support service line as a separate yet integral suite of services.

Hosted Service Line

Our Hosted service line is based on creating scalable service offerings around complex and typically capital intensive technologies to allow service operators to expand their offerings while sharing the high cost of complex networks across multiple customers. This approach has allowed us to invest, develop, and capitalize in new communication technologies through our customers service needs. Our hosted products are currently positioned to address the needs of the enterprise, media and wireless vertical markets.

Hosted Cellular allows our customers the ability to outsource their switching services through a full-featured hosted mobile switching center for GSM/UMTS and CDMA/EVDO technologies. The target customer base includes hundreds of small to mid-sized cellular operators in North America, emerging cellular operators globally and large international operators extending their coverage and/or meeting Universal Services Obligations. This particular product is driven by leveraging our core service elements, including:

Our GSM-UMTS/HSPA Switching/Core Platform

Our CDMA-EVDO Switching/Core Platform

Domestic and international connectivity for voice, data and internet

Our network of Tier 1 IP terrestrial providers at our teleport locations and the interconnectivity between our teleport facilities

Our large pool of diverse satellite bandwidth coverage, frequencies and providers

Our centralized global NOC

The hosted value proposition is focused on creating alternative, cost-effective solutions to establish and/or grow cellular networks while delivering a compelling return on investment with lower capital requirements and operating expenses. In some cases, the hosted model represents the only viable financial model. The solution provides a cost-effective solution to introduce new services and technologies to an existing network (2G to 3G migration, SMS,

MMS, etc.) and an affordable solution to deliver cellular services to unserved areas while meeting government-imposed Universal Services Obligations. Lastly, the solution provides an accepted and   trusted   source where large, established cellular operators are comfortable that its roaming customers will interoperate with our hosted customers and are paid under their respective roaming agreements.

We house our mobile switching center in our Kenneth A. Miller International Teleport. The switching systems are part of a complete central office facility that provides all the systems and services required

5

to support a cellular operator. Our satellite solution incorporates mobile signaling but keeps voice traffic off the satellite, which minimizes operational cost and optimizes quality of service for local calling, and allows remote geographic areas to join the GSM network with a small investment in base stations and VSATs.

Our Ericsson GSM/UMTS Switching Core (Core) positions us to expand this business. The Core will provide a full featured hosted GSM/UMTS (2G/3G) platform to scale the hosted business in North America and internationally with the ability to migrate to LTE (4G) in the future.

Hosted Video minimizes customer capital and operating expenditures and is positioned to address the needs of the enterprise and media market verticals. A key differentiator for us in providing high quality networked service is the ability to leverage our facility in Hauppauge, New York, allowing for outstanding satellite and terrestrial connectivity. This product includes both the hardware for hosting the services and the software platforms for customers to securely publish, process and distribute their content. This solution also allows viewers to interact with the content and provides stakeholders with valuable viewership reporting. The capabilities for our Hosted Video product include:

Publishing platform for hosting of Video On Demand content

Media processing infrastructure for the transcoding of live and on-demand content for viewing across hybrid networks and for viewing on televisions, computers and mobile devices

Security platforms to ensure secure content delivery and digital rights management across diverse networks

Streaming media platform for delivery across hybrid network topologies

Interactive platform allowing viewers to interact with live presenters and on-demand content

Administrative platform providing customers with back office control and reporting

Lifecycle Support Service Line

Our Lifecycle support service line is an all encompassing service that supports Access and Hosted products across the globe. These services typically include installation, network monitoring, help desk, maintenance and professional engineering services. We are able to offer these lifecycle support products by leveraging our facilities infrastructure, including our teleports, our NOCs and our data centers, as well as our personnel and network of skilled technicians. We have government cleared personnel as well as commercial personnel across the globe supporting our Lifecycle support services today. In addition, we have global maintenance partners that provide us access to skilled technicians worldwide that allow us to quickly expand and contract our workforce globally. We provide the following products on either a stand-alone basis, or bundled with other service lines or infrastructure solutions.

Network Monitoring and Help Desk solutions provide 24/7 monitoring of satellite and terrestrial network systems and networks. Status and alarm monitoring coupled with our help desk services provide our customers with the ability to outsource monitoring of their networks. We provide customers with network troubleshooting and problem resolution support with escalation to technical resources personnel to address problems requiring detailed technical knowledge of equipment, systems and/or networking. We utilize a remedy-based trouble ticket system to track problems through conclusion. Customized reports are issued by our help desk to meet our customers requirements.

Installation and Maintenance solutions provide installation and maintenance services of satellite and terrestrial infrastructure at customer locations anywhere in the world. We have an established worldwide network of field technicians, consisting of both employees and contractors, to provide on-site services for customer networks. These

technicians enable us to provide cost-effective, quick-response services for installation and required maintenance.

6

Professional Engineering solutions provide engineering expertise and hands-on support for co-located equipment and engineering and design support for proposal creation and network architecture design. We also provide professional engineering services for customers who need our engineering specialists and program managers to complement their internal staff. Our professional engineering services are primarily provided by Cachendo. Cachendo acts as a trusted advisor to our government and commercial clients by providing end-to-end technology consulting.

Our Lifecycle Support products are composed of four distinct phases: design, installation, maintenance, and customer service. This approach orchestrates the alignment of business and technical requirements at every phase.

Design   During this phase, we work with our customers to develop a comprehensive detailed design that meets their current business and technical requirements and incorporates specifications to support availability, reliability, security, scalability and performance. Custom solutions are created to meet the customers   unique requirements to enable integration with their existing network infrastructure. A variety of plans are developed during the design phase to guide activities such as configuring and testing connectivity, deploying and commissioning the proposed system, migrating network services, demonstrating network functionality and validating network operation.

Installation   Our global network of field technicians provides on-site, cost-effective, quick-response services for installation and required maintenance. Technicians are certified based on their skills. We have amassed a database of technicians that support network operations ranging from a simple VSAT to a complex hybrid network with IP networking responsibility across the globe.

Maintenance   Our full-service maintenance package provides customers with complete coverage in an economical, convenient and timely manner, all for a fixed monthly fee per location. With the full-service maintenance approach, we assume all responsibility for the network, including stocking a spares pool and restoring downlink systems to working order. Our maintenance service process involves remote troubleshooting at our NOC, followed up by an overnight shipment of a replacement item to the site in question. The field installation crew would also be dispatched and arrive on location at the time when the spare item has been received.

Customer Service   Lifecycle support services would not be complete without customer care and improvement. Customer service is an integral part of our general business model, though it is most visible in our Lifecycle support service. From the point of view of the engineering effort in the overall sales process, customer service plays an important role in our ability to generate future business.

Infrastructure Solutions Overview

Our infrastructure solutions consist of the design, engineering and installation of ground segment systems and networks, which are deployed in communications and media delivery networks for the government, media, wireless and enterprise verticals. We combine our expert engineering and design capabilities with state-of-the-art technologies and products to provide solutions for building and maintaining satellite earth stations, uplink centers, and media broadcast centers and Internet protocol-based, or IP, communication networks. In the case of complex IP-based networks, our infrastructure solutions support a wide range of network applications and facilitate   quadruple play services, comprised of video, data, voice and wireless communications.

We offer complete turn-key solutions providing system architecture and design, equipment rack and cable design and integration, site layout and design, all required civil works, power systems and installation and commissioning. Our experienced team offers all levels of training, staff augmentation and comprehensive lifecycle support.

Pre-Engineered Products

A key component of our infrastructure solutions is our product line of pre-engineered fixed and mobile/transportable satellite terminals and software-based network management systems, which are

7

marketed under the Summit^{tm}, Explorer^{tm} and AxxSys® Orion brands. These product solutions are designed to address the government and commercial marketplace. Summit fixed satellite terminals have antenna apertures ranging from sub-meter to 21 meters in diameter using pre-engineered building blocks that assure high reliability and rapid response. Explorer mobile/transportable satellite terminals have antenna apertures ranging from sub-meter to 4 meters in diameter using highly integrated electronics and mechanical packaging techniques in order to provide ease of transport, light weight, small in size at a low cost. The AxxSys network management systems provides the capability to efficiently and securely manage, monitor and control small to large scale networks. A brief description of each product line is provided below:

Summit Product Line   Fixed Satellite Terminals

Summit fixed earth station antennas come in configurations ranging from sub-meter up to Standard A, customized for each installation from a field-proven set of blocks that provides high reliability satcom and fast turn-up at a very competitive price. Summit earth station antennas include all satcom electronics (L through Ka-band and all intermediate frequencies) needed to meet the customer s requirements for transmit, receive and interface to terrestrial networks, either integrated into the antenna or within a separate shelter or building. With all products we include complete system documentation along with our commitment to provision into service.

Explorer Product Line   Transportable Satellite Terminals

Explorer satellite terminals are custom-configured for each customer s requirements based on pre-engineered building block components with proven mission critical service in the field. The result is a perfect mix of high performance at an affordable cost. The product has integrated electronics for L, C, X, Ku and Ka bands which are suited for a wide range of military, institutional, news gathering, enterprise, disaster recovery and other applications. This product is available in sizes ranging from sub-meter up to 4 meters. Depending on the requirements, they can be configured as vehicle-mounted, trailer-mounted, transportable or fly-away terminals.

These products provide cost-effective, two-way communications in locations where traditional communication infrastructure is inadequate or nonexistent.

With the launch of the new WGS and XTAR satellites, we are focusing efforts on upgrading the existing auto-acquisition products for both X and Ka band. Under a NATO contract we are developing a new X band vehicle and trailer mounted satellite terminal solution. This past year we formally launched a new X band Micro 45 cm satellite terminal, the TomCat^{tm} X band product. Recently, we completed government certification of our Ka band 1.2 Meter Auto-Explorer for use on WGS satellites. The explorer product line includes a range of terminals highlighted below:

TomCat^{tm} X Band is a light-weight, man-transportable X band satellite communications system that sets-up and can be operational within minutes. The TomCat^{tm} weighs just 35 pounds and can reach downlink capacity of up to 3Mbps and uplink capacity of 1.5Mbps. The terminal was designed to address the growing use of the U.S. military s new wideband global satellite system for use in tactical environments and other rapid response applications.

Auto-Explorer 0.77/1.0/1.2 Meter Ku Band terminals were designed for ease of operation by non-satellite personnel by incorporating automatic satellite acquisition technology. These satellite terminals include an integrated electronics package designed to incorporate the radio frequency, monitor and control and satellite modem components into an outdoor mounted package.

Auto-Explorer 1.2 Meter Ka Band is a self-contained, portable, auto-acquisition terminal for Ka band satcom applications, specifically tailored for the government s WGS constellation of satellites.

Auto-Explorer 1.2 Meter X Band is an auto-aligning flyaway that brings the benefits of a self-contained, portable, auto-acquisition satellite terminal to military and government users accessing X band satellites.

8

Explorer TES is a trailer mounted transportable earth station antenna that serves as a primary earth station or remote hub for the most demanding applications.

GlobalStorm 2400/3700 is a trailer based earth station antenna systems are utilized for field communications, featuring 2.4 meter and 3.7 meter antennas which are large enough for difficult links.

Explorer Pallet is a vehicle-mounted transportable satellite communication pallet antenna providing single or multi-band terminals for operation on X band military satellites as well as C, Ku and Ka band commercial satellites.

AxxSys® Network Management System

Our pre-engineered products also include a line of AxxSys network management systems designed for management and control of satellite-terrestrial networks and include flexible interface devices that can be configured to communicate with satellite communications equipment and networking equipment from various manufacturers. The following details our products in this category:

AxxSys® Network Management Systems are computer-based network management systems that monitor and control satellite communication equipment and satellite terminal networks. AxxSys-based network management systems provide status reporting locally or remotely and provide the ability to manage distributed satellite communications networks on a global basis. Our current version AxxSys Orion monitors and controls all of the terrestrial elements of a satellite communications network. This includes the ability to manage other network elements, such as, routers, microwave, fiber and wireless subsystems. Deployed over an industry-standard IP network, it is capable of monitoring and controlling from dozens to thousands of devices. Network management systems are key to simplifying operations and maintenance of satellite-based networks and, therefore, add value to the systems and networks we integrate.

SpyGlass Carrier Monitoring Systems® are computer-based carrier monitoring tools for service providers who need to monitor and manage their transmissions to ensure service reliability and availability. Our SpyGlass® family of carrier monitoring tools integrates with the AxxSys network management system to provide ease of operation.

Systems Design and Integration Product

We design, integrate, install, test and commission complex communication and media networks solutions to meet the needs of our customers. Our custom systems design and integration services are largely focused on requirements for media broadcast and distribution solutions, satellite earth stations, uplink centers, broadcast centers and next generation IP-based networks. This segment of our business is based on our core engineering expertise in satellite earth stations and network design, media-broadcast engineering, IP network engineering and network management system design.

We maintain facilities for complete in-plant testing of all our systems before delivery in order to assure all performance specifications will be met during installation at the customer s site. We employ formal total quality management programs and other training programs, and have been certified by the International Organization of Standards quality certification process for ISO 9001, a standard that enumerates specific requirements an organization must follow in order to assure consistent quality in the supply of products and services. The certification process qualifies us for access to virtually all domestic and international projects, and we believe that this represents a competitive advantage.

An illustrative example of our system design and integration solution product is our project with a major media and entertainment company, or the customer. This customer is one of the world s largest mobile carriers, with a 25% share

in the India market. In considering the Direct to Home (DTH) business, the customer s vision was that with competitive DTH service in place, it could go to market to thousands of retail outlets in over 50 cities as well as by texting sales offers to mobile subscribers. In addition to the immediate DTH opportunity, the customer was also thinking long-term. The consumption of video entertainment is undergoing a revolution, and they wanted to position themselves to enter emerging

9

markets for video-on-demand, IPTV and mobile video with an economical solution platform. After considering all of their requirements, we were chosen for our ability to provide fully integrated solutions, based on our knowledge of leading-edge technologies and integration expertise.

Our solution started with designing and installing a DTH program acquisition and uplink center. We have built uplink facilities for some of the world s leading satellite television networks, from Sky and DirecTV to ASTRO and Star TV. The customer s acquisition and uplink center featured two 11.3 meter Ku-band antennas, eighteen 4.5 meter receive-only antennas and our AxxSys Orion monitor and control system. The process of designing the broadcast center involved a combination of technologies that had not been brought together before on this scale. One innovative technology utilized was MPEG-4 compression, which offered a 25% bandwidth savings. A second innovation was the comprehensive use of Internet protocol inside the broadcast center. They wanted every bit of content entering the broadcast center to be encoded as IP, despite the fact that it would be converted to DVB-S2 and multiplexed before going up onto the satellite. We also designed and built a Network Operations Center for the broadcast center. In addition to the usual confidence monitoring system with its video wall, Indian law required the development of a compliance monitoring system that recorded and stored all broadcast content for 90 days.

Making the facility IP-centric is a key to the future for the customer. To this end, we developed a new architecture called a Media Processing Center (MPC). Because we encode everything as IP upon ingest, the MPC speaks IP as its native format. Today, they are focusing on the DTH market; however, going forward, the MPC architecture will allow them to easily introduce IPTV, with minimal modifications, and to provide a platform for other video services, including IP-based mobile TV. The MPC architecture requires that every piece of equipment in the facility be selected with the future in mind. The conditional access system has the ability, with upgrades, to control IPTV streams and mobile TV streams for over 250 plus channels with basic, premium and pay-per-view movie channels. Our approach required the encoder and multiplexer supplier to provide advanced compression that would work across all potential platforms. When tying all the systems together, we devised a highly distributed solution that provides better reliability and avoids a single point of failure.

The customer s new DTH service has received very positive feedback. They conducted picture quality analyses at locations around the country and found that the quality of their video was superior to competitors from the first day of service.

Sales and Marketing

We continually evaluate our sales and marketing efforts as we expand our product and service offerings. We approach the marketplace from both a market and a product perspective. We market our products and services to a diverse group of market verticals that include government, enterprise, media, maritime and wireless service providers. We have structured our sales and marketing approach to respond effectively to the opportunities in these markets.

Our corporate sales offices sell and market our products and services in the United States and internationally in specific vertical markets within the government and commercial markets. Our specific government vertical markets currently consist of Afghanistan, the United States Department of Defense, domestic and international intelligence agencies and civilian and diplomatic markets. The commercial sales offices focus mainly on broadcast, wireless/cellular service providers, enterprise and maritime customers.

One of our goals is to brand the Globecomm name as an end-to-end managed network service provider. As we continue to expand our reach into new markets, we must expand our name brand recognition to these markets as well. This will include updating marketing material which illustrates the synergy in the integration of all entities. This material is aimed both at potential customers and helping support the effort of continued training of the personnel in our global offices. Ensuring that each person understands the breadth of our capabilities is vital to ensuring that we

maximize the potential business from each of our existing and new customers.

10

Our regional business teams sell and market our products and services in concert with the corporate sales offices. Business teams are located in New York, the GSM and Cachendo teams are located in Maryland, the Mach 6 and C2C teams are located in the Netherlands, the Telaurus team is located in New Jersey and the Evosat team is located in South Africa. The teams focus on targeted trade shows, demos and consultants teamed with company-wide events and marketing. We believe that this focused effort, along with the development of the corporate sales offices to proactively market our offerings to specific market segments, will lead to increased market share across all business units.

These regional business teams are responsible for orders in the regions and/or markets to which they are assigned, as well as for the delivery of our products and services and for account management of our existing customers. Currently, we have regional business teams responsible for the Americas, Asia Pacific and Eastern Atlantic (Africa, the Middle East and Europe) regions. We also have a business team dedicated to the government marketplace, and a GSM service team which is focused largely on the U.S. government marketplace. Furthermore, the Mach6 and C2C business teams provide services and infrastructure to governments and organizations internationally while our Evosat business unit provides connectivity and products worldwide.

In addition, we have expert teams who are focused on leveraging our know-how in IP networking, broadcast technology, pre-engineered systems, network management systems and network services to provide added value to our products, services and solutions. The strength of our expert teams allows us to continue our Annual Technology Forum.

The regional business and technology focused expert teams work together with the corporate sales offices to identify, develop and maintain customer relationships through local sales representatives, sales executives and account managers. Together, they develop close and continuing relationships with our customers. Our local sales representatives provide a local presence in their regions and identify prospective customers for our sales executives. Our account managers may also function as project engineers for network integration and service initiation programs for their accounts. We believe this account management focus provides continuity and loyalty between our customers and us. We also believe that our approach fosters long-term relationships that lead to follow-on work and referrals to new customers. These accounts also provide us with a market for the new products and services that we develop. In addition, we obtain sales leads through referrals from industry suppliers.

We use direct mailings, print advertising and social media to targeted markets and trade publications to enhance awareness and acquire leads for our direct and indirect sales teams. We create brand awareness by participating in industry trade shows sponsored by organizations like the International Telecommunications Union, the National Association of Broadcasters, Armed Forces Communications and Electronics Association, Communication Media Management Association and other industry associations. Globecomm plans to participate in multiple corporate sponsored tradeshows over the next year, including SATCON and SATELLITE 2011 in the satellite communications industry; IBC and NAB for the media vertical, several government tradeshows including MILCOM and LANDWARNET, wireless shows including CTIA, CANSO and RCA, enterprise shows including Streaming Media East and West and maritime shows including Posidonia and SMM. We also provide marketing information on our website and conduct joint marketing programs with sales representatives in various regions to reach new customers.

Competition

In the satellite infrastructure solutions market, we believe that our ability to compete successfully is based primarily on our reputation and the ability to provide a solution that meets the customer s requirements, including competitive pricing, performance, on-time delivery, reliability and customer support.

In the communications services market, we believe that our ability to compete successfully is based primarily on our reputation and providing prompt delivery and initiation of service, competitive pricing, consistent and reliable

connections and high-quality customer support.

11

Our primary competitors in the infrastructure solutions market generally fall into two groups: (1) system integrators such as Thales, Data Path and SED Systems and (2) equipment manufacturers who also provide integrated systems, such as General Dynamics, SATCOM Technologies, Viasat, Alcatel and ND Satcom AG.

In the end-to-end satellite-based enterprise solutions and broadcast services markets, we compete with other satellite communication companies who provide similar services, such as Ascent Media, Globecast and Convergent Media Systems. In addition, in managed network services we may compete with other communications services providers such as Caprock and Segovia, and satellite owners like SES Americom and Intelsat. We anticipate that our competitors may develop or acquire services that provide functionality that is similar to that provided by our services and that those services may be offered at significantly lower prices or bundled with other services.

Current and potential participants in the markets in which we compete have established or may establish cooperative relationships among themselves or with third parties. These cooperative relationships may increase the ability of their products and services to address the needs of our current and prospective customers. Accordingly, it is possible that new competitors or alliances among competitors may emerge that will enable them to acquire significant market share rapidly. We believe that increased competition is likely to result in price reductions, reduced gross profit margins and loss of market share, any of which would have a material adverse effect on our business, results of operations and financial condition.

Acquisitions

On March 5, 2010, we acquired from Carrier to Carrier Telecom Holdings Ltd (the Seller), a privately owned company, all of the issued shares of C2C, a company incorporated in the Netherlands, and the business assets of Evocomm each of C2C and Evocomm being a wholly-owned subsidiary of the Seller. Pursuant to the terms of the acquisition we also acquired from Evocomm all the issued shares of Evosat (Pty) Ltd (Evosat), a company incorporated in South Africa.

C2C employs approximately 21 staff and provides satellite services across Africa, the Middle East, Europe and Asia, and maintains services in the Atlantic, Mediterranean, Gulf of Mexico and Indian Ocean regions through its teleport facility in the Netherlands. Evosat and Evocomm employ approximately 11 staff and provide Immarsat land-based BGAN (Broadband Global Area Networks) and maritime-based fleet broadband capabilities.

Pursuant to the terms of the Acquisition Agreement, we paid a cash purchase price of $15.0 million (funded through $2.5 million of the Company s current cash position and $12.5 million through a five-year, acquisition term loan (the Acquisition Loan) provided by Citibank, N.A. on March 5, 2010, issued under the Company s existing credit facility). The Seller also may be entitled to receive additional cash payments of up to an aggregate of $10.9 million, subject to an earn-out based upon the acquired businesses achieving certain earnings milestones within twenty-four months following the closing. We have estimated the fair value of the earn-out to be $4.4 million which has been recorded in the consolidated balance sheet.

Customers

We have established a diversified base of customers in a variety of market verticals. Our customers include government, enterprise, media, maritime and wireless service providers. We typically rely upon a small number of customers for a large portion of our revenues. We derived 12% of our revenues in the year ended June 30, 2010 from Northrop Grumman Information Technologies Inc. We expect that in the near term a significant portion of our revenues will continue to be derived from a limited number of customers (the identity of whom may vary from year to year) as we seek to expand our business and customer base.

Backlog

At June 30, 2010, our backlog was approximately $163.9 million compared to approximately $153.9 million at June 30, 2009. We record an order in backlog when we receive a firm contract or

12

purchase order, which identifies product quantities, sales price, service dates and delivery dates. Backlog represents the amount of unrecorded revenue on undelivered orders and services to be provided and a percentage of revenues from sales of products that have been shipped where installation has not been completed and final acceptance has not been received from the customer. Our backlog at any given time is not necessarily indicative of future period revenues. A substantial portion of our backlog is comprised of large orders, the cancellation of any of which could have a material adverse effect on our operating results. For example, at June 30, 2010, $62.4 million, or approximately 38.1%, of our backlog represented contracts with two customers. We cannot assure you that these contracts or any others in our backlog will not be cancelled, delayed or revised. See the section entitled Risk Factors.

Product Design, Assembly and Testing

We assign a project team to each of our customer contracts. Each team is led by a project engineer who is responsible for execution of the project. This includes engineering and design, assembly and testing, installation and customer acceptance. A project may include engineers, integration specialists, buyer-planners and an operations team. Our standard satellite ground segment systems are manufactured using a standard modular production process. Typically, long-term projects require significant customer-specific engineering, drafting and design efforts. Once the system is designed, the integration specialist works with the buyer-planner and the operations team to assure a smooth transfer from the engineering phase to the integration phase. The integration phase consists mainly of integrating the purchased equipment, components and subsystems into a complete functioning system. Assembly, integration and test operations are conducted on both an automated and manual basis.

We maintain facilities for complete in-plant testing of all our systems before delivery in order to assure all performance specifications will be met during installation at the customer s site. We employ formal total quality management programs and other training programs, and have been certified by the International Organization of Standards quality certification process for ISO 9001, a standard that enumerates specific requirements an organization must follow in order to assure consistent quality in the supply of products and services. The certification process qualifies us for access to virtually all domestic and international projects, and we believe that this represents a competitive advantage.

Research and Development

We have developed internal research and development resources in Internet protocol networks, content delivery networks, broadcast systems, network management systems and pre-engineered systems. The costs of developing new technologies are funded by our investments and by development funded by specific customer program requirements. This approach provides us with a cost-effective means to develop new technology, while minimizing our direct research and development expenditures. Furthermore, we believe that our research and development capabilities allow us to offer added value in developing solutions for our customers, while at the same time we maintain the opportunity to develop products through our strategic supplier relationships. Our internal research and development efforts generally focus on the development of products and services not available from other suppliers to the industry. Current efforts are focused on continued development of our software-based distributed core network to support our wireless hosted switch service offering for our service provider customers, development of multimedia broadcast data center solutions for direct to home, TV to mobile devices and IPTV applications, expanding X and Ka band product capabilities, enhancements to pre-engineered AxxSys network management systems for all our earth terminal and network customers and pre-engineered Explorer satellite systems for our government customers and enhancements to our se@comm maritime communications suite of software products and value added services. For the years ended June 30, 2010, 2009 and 2008, we have incurred approximately $3.3 million, $2.4 million, and $1.9 million, respectively, in internal research and development expenses.

Intellectual Property

We rely heavily on the technological and creative skills of our personnel, new product developments, computer programs and designs, frequent product enhancements, reliable product support and proprietary technological expertise in maintaining our competitive position. We have secured patent protection on some of our products, and have secured trademarks and service marks to protect some of our products and services.

We currently have been granted six patents in the United States, one for remote access to the Internet using satellites, another for satellite communication with automatic frequency control, another for a monitor and control system for satellite communications networks and the like, another for implementing facsimile and data communications using Internet protocols, and two for a dish antenna kit including alignment tool. We have one other patent pending in the United States for a distributed satellite-based cellular network. We currently have one Patent Cooperation Treaty patent application pending for implementing facsimile and data communications using Internet protocols. We also intend to seek additional patents on our technology, if appropriate. We have received trademark registration for Globecomm and GSI in the United States and Russia, and for Globecomm Systems Inc. in the European Community, Russia, and the People s Republic of China. We have also received trademark registrations in the United States for MBB2001, CTF 2001, CES 2001 and AxxSys, which relate to our pre-engineered systems; for SkyBorne, relating to our broadcasting services; for se@comm and other marks relating to our maritime services; for the GSI logo; and for various other marks related to our products and services. We have other trademarks and service marks pending and intend to seek registration of other trademarks and service marks in the future.

Government Regulations

Operations and Use of Satellites

We are subject to various federal laws and regulations, which may have negative effects on our business. We operate Federal Communications Commission, or FCC, licensed teleports in Hauppauge, New York, and Laurel, Maryland, subject to the Communications Act of 1934, as amended, or the FCC Act, and the rules and regulations of the FCC. Pursuant to the FCC Act and FCC rules and regulations, we have obtained or applied for, and are required to maintain radio transmission licenses from the FCC for both domestic and foreign operations of our teleports. We have also obtained and maintain authorization issued under Section 214 of the FCC Act to act as a telecommunications carrier, which authorization also extends to GNSC, and have obtained and maintain similar authorization for Telaurus. We have also obtained a license from Agentschap Telecom, the licensing authority in The Netherlands, for the teleports operated by Mach 6 and C2C in The Netherlands. These licenses should be renewed in the normal course as long as we remain in compliance with applicable rules and regulations relating to the licenses. However, we cannot guarantee that additional licenses will be granted when our existing licenses expire, nor can we assure you that the applicable regulatory agencies will not adopt new or modified technical requirements that will require us to incur expenditures to modify or upgrade our equipment as a condition of retaining our licenses.

We are also required to comply with FCC regulations regarding the exposure of humans to radio frequency radiation from our teleports. These regulations, as well as local land use regulations, restrict our freedom to choose where to locate our teleports.

The licenses and authorizations held by Globecomm for the licensed teleport in Hauppauge, New York, extend to GNSC and GNSC currently provides services in accordance with the requirements of the Globecomm licenses and authorizations. GNSC and GSM may in the future seek to obtain licenses and/or authorizations to provide services in their own names; however, we cannot guarantee that such additional licenses and authorizations will be granted by the FCC.

Common Carrier Regulation

We currently provide services to our customers on a private carrier and on a common carrier basis. Our operations as a common carrier require us to comply with the FCC s requirements for common carriers. These requirements include, but are not limited to, providing our rates and service terms, being forbidden from unjust and unreasonable discrimination among customers, notifying the FCC before discontinuing service and complying with FCC equal employment opportunity regulations and reporting requirements.

Foreign Ownership

The FCC Act and FCC regulations impose restrictions on foreign ownership of our teleports. These requirements generally forbid more than 20% ownership or control of an FCC licensee by non-United States citizens and more than 25% ownership of a licensee s parent by non-United States citizens. The FCC may authorize foreign ownership in the licensee s parent in excess of these percentages. Under current policies, the FCC has granted these authorizations where the applicant does not control monopoly or bottleneck facilities and the foreign owners are citizens of countries that are members of the World Trade Organization or provide equivalent competitive opportunities to United States citizens.

We may, in the future, be required to seek FCC approval if foreign ownership of our stock exceeds the thresholds mentioned above. Failure to comply with these policies could result in an order to divest the offending foreign ownership, fines, denial of license renewal and/or license revocation proceedings against the licensee by the FCC. We have no knowledge of any present foreign ownership which would result in a violation of the FCC rules and regulations.

Some of our U.S. government contracts also impose restrictions on foreign ownership of our Company. These contracts require that we identify whenever a foreign person has 5% or greater ownership or control of our Company and take steps to mitigate the control and influence such foreign persons have on our business. If we are not able to effectively mitigate such control or influence, we may lose our eligibility for those U.S. government contracts where foreign ownership or controlling interest of the contractor is a factor in contractor selection.

Foreign Regulations

Regulatory schemes in countries in which we may seek to provide our satellite-delivered services may impose impediments on our operations. Some countries in which we operate or intend to operate have telecommunications laws and regulations that do not currently contemplate technical advances in telecommunications technology like Internet/intranet transmission by satellite. We cannot assure you that the present regulatory environment in any of those countries will not be changed in a manner which may have a material adverse impact on our business. Either we or our local sales representatives typically must obtain authorization for each country in which we provide our satellite-delivered services. Although we believe that we or our local sales representatives will be able to obtain the requisite licenses and approvals from the countries in which we intend to provide products and services, the regulatory schemes in each country are different, and thus there may be instances of noncompliance of which we are not aware. Although we believe these regulatory schemes will not prevent us from pursuing our business plan, we cannot assure you that our licenses and approvals are or will remain sufficient in the view of foreign regulatory authorities. In addition, we cannot assure you that necessary licenses and approvals will be granted on a timely basis, or at all, in all jurisdictions in which we wish to offer our products and services or that the applicable restrictions will not be unduly burdensome.

Regulation of the Internet

Our Internet operations (other than the operation of a teleport) are not currently subject to direct government regulation in the United States or most other countries, and there are currently few laws or regulations directly applicable to access to or commerce on the Internet. However, due to the increasing popularity and use of the Internet it is possible that a number of laws and regulations may be adopted at the local, national or international levels with respect to the Internet, covering issues like user privacy and

15

Table of Contents

expression, pricing of products and services, taxation, advertising, intellectual property rights, information security or the convergence of traditional communication services with Internet communications.

We anticipate that a substantial portion of our Internet operations will be carried out in countries which may impose greater regulation of the content of information coming into their country than that which is generally applicable in the United States. Examples of this include privacy regulations in Europe and content restrictions in countries, such as the People s Republic of China. To the extent that we provide content as a part of our Internet services, we will be subject to laws regulating content. Moreover, the adoption of laws or regulations may decrease the growth of the Internet, which could in turn decrease the demand for our Internet services, or increase our cost of doing business or otherwise negatively affect our business. In addition, the applicability to the Internet of existing laws governing issues including property ownership, copyrights and other intellectual property issues, taxation, libel and personal privacy is uncertain. The vast majority of these laws were adopted prior to the advent of the Internet and related technologies and, as a result, do not contemplate or address the unique issues of the Internet and related technologies. Changes to these laws intended to address these issues, including some recently proposed changes, could create uncertainty in the marketplace. These changes could reduce demand for our products and services or could increase our cost of doing busines