

COMTECH TELECOMMUNICATIONS CORP /DE/
Form DEF 14A
November 09, 2009

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

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

COMTECH TELECOMMUNICATIONS CORP.
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

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

- 2) Aggregate number of securities to which transaction applies:

- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

- 4) Proposed maximum aggregate value of transaction:

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or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

68 South Service Road, Suite 230
Melville, New York 11747

November 9, 2009

To Our Stockholders:

On behalf of the Board of Directors and management, I cordially invite you to attend the 2009 Annual Meeting of Stockholders of Comtech Telecommunications Corp. (“Comtech” or the “Company”). The annual meeting will be held at 10:00 a.m. on December 9, 2009 at our corporate headquarters located at 68 South Service Road, Melville, New York, 11747. The Notice of Annual Meeting of Stockholders, Proxy Statement and proxy card are enclosed.

I believe that the annual meeting provides an excellent opportunity for stockholders to become better acquainted with Comtech and its directors and officers. I hope that you will be able to attend and I look forward to greeting as many stockholders as possible.

It is important that your shares are voted at the annual meeting. Whether or not you are able to attend in person, the prompt execution and return of your enclosed proxy card in the envelope provided or submission of your proxy and voting instructions over the internet or by telephone will both assure that your shares are represented at the annual meeting and minimize the cost of proxy solicitations. Instructions for voting via the internet or by telephone are set forth on the enclosed proxy card. If you later decide to attend the annual meeting, you may revoke your proxy and vote in person.

Sincerely,

Fred Kornberg
Chairman, Chief Executive Officer and President

68 South Service Road, Suite 230
Melville, New York 11747

NOTICE OF 2009 ANNUAL MEETING OF STOCKHOLDERS

TIME AND DATE.....10:00 a.m. on December 9, 2009

PLACE.....Comtech Telecommunications Corp.
68 South Service Road (Lower Level Auditorium), Melville,
NY 11747

ITEMS OF BUSINESS.....(1) To elect two directors.

(2) To ratify the selection of our independent registered public accounting firm for the current fiscal year ending July 31, 2010.

(3) To approve an amendment to our 2000 Stock Incentive Plan (the "Plan") increasing the number of shares of our Common Stock subject to awards under the Plan or with respect to which awards may be granted, changing the individual participant limits for performance unit awards, extending the term of the Plan until October 19, 2019, and reapproving the material terms of performance criteria under the Plan.

(4) To transact such other business as may properly come before the annual meeting or any adjournment thereof.

The Board of Directors unanimously recommends that the stockholders vote "FOR" approval of Proposals 1, 2 and 3 to be presented to stockholders at the 2009 Annual Meeting.

RECORD DATE.....All stockholders are invited to attend the annual meeting. In order to vote, you must have been a stockholder at the close of business on October 12, 2009.

PROXY VOTING.....It is important that your shares be represented at the annual meeting regardless of the number of shares you hold in order that we have a quorum, whether or not you plan to be present at the annual meeting in person. Please complete, sign, date and mail the enclosed proxy card in the accompanying envelope (to which you need affix no postage if mailed within the United States) or submit your proxy and voting instructions over the internet or by telephone. Instructions for voting via the internet or by telephone are set forth on the enclosed proxy card.

By Order of the Board of Directors,
Patrick O'Gara
Secretary
November 9, 2009

2009 ANNUAL MEETING
PROXY STATEMENT

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ABOUT THE PROXY STATEMENT

What is the purpose of the annual meeting?

At the annual meeting, our stockholders will be asked to consider and act upon the following matters:

- Election of two directors to our Board of Directors for a term expiring in 2012;
- Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the 2010 fiscal year;
- Approval of an amendment to our 2000 Stock Incentive Plan increasing the number of shares of our Common Stock subject to awards under the Plan or with respect to which awards may be granted, changing the individual participant limits for performance unit awards, extending the term of the Plan until October 19, 2019 and reapproving the material terms of performance criteria under the Plan; and
 - Such other business as may properly come before the annual meeting or any adjournment thereof.

Who is entitled to vote at the annual meeting?

Only stockholders of record on October 12, 2009, the record date for the annual meeting, are entitled to receive notice of and vote at the annual meeting.

What are the voting rights of stockholders?

Each share of our Common Stock is entitled to one vote. There is no cumulative voting.

How do stockholders vote?

Stockholders may vote at the annual meeting in person or by proxy.

If a stockholder gives a proxy, how are the shares voted?

Proxies received by us before the annual meeting will be voted at the annual meeting in accordance with the instructions contained on the proxy card. The proxy card provides a way for you to direct how your shares will be voted.

If you do not give voting instructions on your proxy card, your shares will be voted by the persons named as proxies on your proxy card on each matter in accordance with the recommendation of the Board of Directors or, if no recommendation is made by the Board of Directors, in the discretion of the proxies. Thus, for example, if you do not give instructions on your proxy card, and a nominee for director withdraws before the election (which is not now anticipated), your shares will be voted by the proxies for any substitute nominee as may be nominated by the Board of Directors. The proxies named on the proxy card are Fred Kornberg, Chairman, Chief Executive Officer and President of Comtech (“CEO”) and Michael D. Porcelain, Senior Vice President and Chief Financial Officer of Comtech (“CFO”). Under the rules that govern brokers and nominees who have record ownership of shares that are held in “street name” for account holders (who are the beneficial owners of the shares), brokers and nominees have the discretion to vote such shares on routine matters, but not on non-routine matters. A change in the rule that eliminates broker

discretionary voting in uncontested director elections will not take effect until after the 2009 annual meeting. If a broker or nominee has not received voting instructions from an account holder and does not have discretionary authority to vote shares on a particular item, a “broker non-vote” occurs.

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It is possible that matters other than those listed above may be brought before stockholders at the annual meeting. If we were not aware of the matter a reasonable time before the mailing of this Proxy Statement, the proxies will vote your shares on the matter as recommended by the Board of Directors, or, if no recommendation is given, the proxies will vote your shares in their discretion. In any event, the proxies will comply with the rules of the Securities and Exchange Commission (“SEC”) when acting on your behalf on a discretionary basis. At the date of this Proxy Statement, we had not received any notice regarding any other matter to come before the annual meeting which was timely in accordance with our Bylaws.

How are proxies changed or revoked?

You may change any vote by proxy or revoke a proxy before it is exercised by filing with the Secretary of Comtech either a notice of revocation or a duly executed proxy bearing a later date or by attending the annual meeting and voting in person. Attendance at the annual meeting will not by itself constitute revocation of a proxy.

How many shares are outstanding and what constitutes a quorum?

At the close of business on October 12, 2009, the record date for the annual meeting, 28,241,365 shares of Common Stock were outstanding. Stockholders entitled to cast at least a majority of the votes that all stockholders are entitled to cast must be present at the annual meeting in person or by proxy to constitute a quorum for the transaction of business. Withheld votes and shares voted as “abstentions” or subject to broker non-votes still count for purposes of determining whether a quorum is present.

What vote is required to approve each item?

Election of the Two Directors. The two directors will be elected by plurality of the votes cast. That means that the nominees receiving the greatest number of votes will be elected as directors, even if the number of votes received is less than a majority of the votes present at the annual meeting.

Ratification of Selection of Accounting Firm. The ratification of the selection of KPMG LLP as our independent registered public accounting firm for fiscal 2010 will require the affirmative vote of a majority of the shares voted in person or by proxy.

Amendment to 2000 Stock Incentive Plan and Reapproval of Performance Criteria. Approval of the amendment to our 2000 Stock Incentive Plan increasing the number of shares of our Common Stock subject to awards under the Plan or with respect to which awards may be granted, changing the individual participant limits, extending the term of the Plan until October 19, 2019 and reapproving the material terms of performance criteria under the Plan, will require the affirmative vote of a majority of the shares voted in person or by proxy.

Other Matters. Approval of any other matter that comes before the annual meeting or any adjournment thereof will require a different number of affirmative votes, depending on the nature of such matter.

How do withheld votes, abstentions and broker non-votes affect the outcome of a vote?

Withheld votes with respect to a nominee for election as director will not affect the outcome of the vote, so long as the particular nominee receives more votes than any nominee competing for the particular director seat.

Abstentions and broker non-votes will have no effect on the proposed (i) ratification of the appointment of KPMG LLP as our independent registered public accounting firm and (ii) amendment to our 2000 Stock Incentive Plan and reapproval of performance criteria under the Plan, as each of these items requires the affirmative vote of a majority of the shares voted in person or by proxy.

In the case of a proposal that requires the affirmative vote of a majority of the outstanding shares, both abstentions and broker non-votes will have the effect of a vote against the proposal.

What are our Board of Directors' recommendations?

The Board of Directors unanimously recommends that you vote:

- FOR the election of the two nominees proposed for election as directors;
- FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2010; and
- FOR the amendment to our 2000 Stock Incentive Plan and reapproval of the material terms of the performance criteria under the Plan.

Other Information

We have enclosed our Annual Report for fiscal 2009 together with this Proxy Statement. No material contained in the Annual Report is to be considered a part of the proxy solicitation material. The annual meeting may be adjourned from time to time without notice other than by announcement at the annual meeting. Our corporate website address is www.comtechtel.com. The contents of our website are not incorporated by reference into this Proxy Statement.

PRINCIPAL STOCKHOLDERS OF COMTECH TELECOMMUNICATIONS CORP.

This table provides the number of shares beneficially owned by principal stockholders who beneficially own more than five percent of our outstanding Common Stock, as of the date stated in the below footnotes. The information in this table is based upon the latest filings by each principal stockholder of either a Schedule 13D, Schedule 13G or Form 13F as filed by the respective stockholder with the SEC.

We calculate the stockholder's percentage of the outstanding class assuming the stockholder beneficially owned that number of shares on October 12, 2009, the record date for the annual meeting. Unless otherwise indicated, the stockholder had sole voting and sole dispositive power over the shares.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Royce & Associates (1) 745 Fifth Avenue New York, NY 10151	2,637,005	9.3
Fidelity Management & Research (2) 245 Summer Street 14th floor Boston, MA 02210-113	2,333,258	8.3
Barclays Global Investors NA (CA) (3) 45 Fremont Street, 17th Floor San Francisco, CA 94105	1,904,469	6.7
Citadel Investment Group LLC (4) 131 South Dearborn Street, 32nd Floor Chicago, IL 60603	1,544,411	5.5

- (1) The information is based upon a Form 13F filed by Royce & Associates with the SEC, reporting beneficial ownership as of June 30, 2009.
- (2) The information is based upon a Form 13F filed by Fidelity Management & Research with the SEC, reporting beneficial ownership as of June 30, 2009.
- (3) The information is based upon a Form 13F filed by Barclays Global Investors NA (CA) with the SEC, reporting beneficial ownership as of June 30, 2009.
- (4) The information is based upon a Schedule 13G filed by Citadel Investment Group LLC with the SEC, reporting beneficial ownership as of September 16, 2009.

BENEFICIAL OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The table below shows the beneficial ownership of our Common Stock of each of our current directors, CEO, CFO, and the three other highest paid executive officers (collectively, the Named Executive Officers (“NEOs”)) and all directors and executive officers as a group, as of October 12, 2009. Unless otherwise indicated, our directors and executive officers had sole voting and sole dispositive power over their shares.

Name (Listed alphabetically, by category)	(1) Shares Beneficially Owned on October 12, 2009	Percent of Class
Non-employee Directors:		
Richard L. Goldberg	48,625	*
Edwin Kantor	47,000	*
Ira Kaplan	37,375	*
Gerard R. Nocita	38,125	*
Robert G. Paul	5,375	*
Executive Officers:		
Jerome Kapelus	68,750	*
Fred Kornberg	604,874	2.1
Robert L. McCollum	196,028	*
Michael D. Porcelain	116,223	*
Daniel S. Wood	93,000	*
All Directors and executive officers as a group (13 persons)	1,526,605	5.2

* Less than one percent

(1) Includes the following shares of our Common Stock with respect to which such persons have the right to acquire beneficial ownership within 60 days from such date: Mr. Goldberg 43,125 shares; Mr. Kantor 44,500 shares; Mr. Kaplan 34,375 shares; Mr. Nocita 35,625 shares; Mr. Paul 5,375 shares; Mr. Kapelus 66,750 shares, Mr. Kornberg 265,000 shares; Mr. McCollum 105,000 shares, Mr. Porcelain 98,338 shares; Mr. Wood 93,000 shares; and all directors and executive officers as a group 1,002,588 shares. We calculated the percentage of the outstanding class beneficially owned by each person and by the group treating their shares subject to this right to acquire within 60 days as outstanding.

CORPORATE GOVERNANCE AND BOARD OF DIRECTORS MEETINGS

Summary of Our Corporate Guidelines

Our business is managed with the oversight of our Board of Directors, in accordance with the Delaware General Corporation Law and our Bylaws. Members of our Board of Directors are kept informed of our business through discussions with our CEO and other officers, by reviewing materials provided to them, and by participating in regular and special meetings of our Board of Directors and its committees. In addition, to promote open discussion among our non-employee directors, those directors meet in scheduled executive sessions without the participation of management or our CEO, who is our only employee director.

Our Board of Directors has a long-standing commitment to sound and effective corporate governance, the foundation of which is our Board of Directors' policy that a substantial majority of the members of our Board of Directors should be independent. Our Board of Directors, in their opinion, has determined that five of our six directors have no relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each, therefore, is an "independent director," as that term is defined in the NASDAQ Marketplace Rules. The five directors determined to be independent are Messrs. Goldberg, Kantor, Kaplan, Nocita and Paul.

Our Board of Directors has also adopted Corporate Governance Guidelines which are available on our website under the investor relations tab of www.comtechtel.com. These guidelines, in conjunction with the Company's Certificate of Incorporation and Bylaws, and the charters of the committees of the Board of Directors, form the framework for the governance of the Company. The following is a summary of the key components of our Corporate Governance Guidelines:

- Directors should have the highest professional and personal ethics and values, consistent with our long-standing values and standards.
- Directors must have sufficient time to carry out their duties and limit their service to no more than three other public company boards.
- Each director shall adhere to our Standards of Business Conduct and certify, in writing on an annual basis, that they have read and will abide by such standards.
- Unless requested by the Board of Directors to remain, any employee director is expected to offer to resign from the Board of Directors at the time he or she is no longer employed by Comtech.
- The Board of Directors shall hold executive sessions of independent directors as necessary, but at least once a year.
- The Board of Directors shall regularly consider succession plans addressing the potential resignation or unavailability of our CEO, and shall regularly consider and discuss with our CEO his plans addressing the potential resignation or unavailability of the executive officers reporting to our CEO.
- Directors are encouraged to talk directly to any member of management regarding any questions or concerns the directors may have. Senior management, as appropriate, are invited to attend Board of Director meetings.
- The Board of Directors and each committee shall conduct a self-evaluation annually. The Nominating and Governance Committee shall oversee the annual self-evaluation of the Board of Directors and its committees.

- Directors and certain executive officers are encouraged to accumulate ownership of our common stock.
- The Board of Directors and each committee have the authority, at our expense, to retain independent advisors as the Board of Directors and any such committee deems necessary.

Committees of the Board of Directors

Nominating and Governance Committee

During calendar year 2009, the Board of Directors reconstituted our Nominating Committee as our Nominating and Governance Committee in order to enhance the Board of Director's focus on corporate governance matters, including any potential stockholder concerns that might develop in this area. There was no specific stockholder concern or other corporate governance matter in fiscal 2009, or earlier, that led to the establishment of the Nominating and Governance Committee.

The Nominating and Governance Committee will continue its historical role of identifying and evaluating candidates for election as members of our Board of Directors. Its expanded responsibilities include, among others, reviewing matters concerning corporate governance policy, including responding to any stockholder concerns about corporate governance that might arise in the future, Board of Directors and committee self-evaluations, and any related-party transactions.

During fiscal 2009, our former Nominating Committee held one meeting. No vacancy on the Board of Directors arose during fiscal 2009.

In seeking and evaluating prospective members of our Board of Directors, our Nominating and Governance Committee considers the nature and scope of our business activities, and the capacity of our Board of Directors to provide oversight and positive contributions in areas of particular significance to the long-term creation of stockholder value. Areas of experience and capability that our Nominating and Governance Committee particularly believes should be represented on our Board of Directors include finance and accounting, and technology related to our business. Our Nominating and Governance Committee believes that individual candidates should also demonstrate high levels of commitment, adequate availability to actively participate in our Board of Directors' affairs, and high levels of integrity and sensitivity to current business and corporate governance trends. Before recommending a candidate to our Board of Directors, all members of our Nominating and Governance Committee will participate in meetings with the candidate, and our Nominating and Governance Committee will seek to arrange meetings between the candidate and other members of our Board of Directors.

Candidates are typically identified by a member of our Board of Directors, and our Nominating and Governance Committee will consider individuals recommended by stockholders. A stockholder who wishes to recommend a candidate for consideration by the Nominating and Governance Committee should do so in writing addressed to the Nominating and Governance Committee Chairman at Comtech Telecommunications Corp., 68 South Service Road, Suite 230, Melville, NY 11747. Candidates recommended by stockholders will be considered according to the same standards of perceived Comtech need and potential individual contribution as are applied to candidates from other sources.

Our Board of Directors has determined that each member of our Nominating and Governance Committee is an "independent director," as that term is defined in the NASDAQ Marketplace Rules. Our Nominating and Governance Committee's Charter is available on our website at www.comtechtel.com, under the link for "Investor Relations."

Audit Committee

Our Audit Committee functions include engaging our independent registered public accounting firm, directing investigations into accounting, finance and internal control matters, reviewing the plan and results of audits with our independent registered public accounting firm, overseeing our internal audit function, reviewing our internal accounting controls and approving services to be performed by our independent registered public accounting firm and related fees. During fiscal 2009, our Audit Committee held seven meetings.

Our Board of Directors has determined that all members of our Audit Committee are qualified to be members of the Committee in accordance with NASDAQ Marketplace Rules and meet the criteria set forth in the rules of the SEC. Our Board of Directors has determined that Messrs. Nocita and Paul qualify as “audit committee financial experts,” as defined by SEC rules, based on their education, background and experience. Our Audit Committee’s Charter is available on our website at www.comtechtel.com, under the link “Investor Relations,” and is attached hereto as “Exhibit A.”

Executive Compensation Committee

Our Executive Compensation Committee (referred to throughout this proxy by name or by “ECC”) of our Board of Directors considers and authorizes remuneration arrangements for our executive officers. Our ECC also constitutes our Stock Option Committee which administers our stock option plans. Our ECC held nine meetings during the past fiscal year.

Our ECC determines the terms of performance-based awards for our executive officers, and negotiates the terms of any employment agreements with our executive officers. In addition, our ECC monitors the aggregate share usage under our stock incentive programs and potential dilution of the stock option programs, except with respect to the application of our Company’s 2000 Stock Incentive Plan to non-employee directors.

Since fiscal 2008, Steven Hall & Partners, LLC (“SH&P”), an executive compensation consulting firm, has been retained by our ECC to advise it with respect to certain executive compensation matters. Our ECC has the sole authority to set SH&P’s compensation and/or to terminate the services of SH&P. During fiscal 2009, SH&P advised our ECC primarily on matters relating to SEC disclosure rules concerning executive compensation, the structuring of annual incentive awards for tax efficiency, and change-in-control agreements for certain of our executive officers. Our CEO, CFO, and other members of our management often work with SH&P to provide it information and, as requested either by SH&P or our ECC, to review SH&P’s consulting work product prior to presentation to our ECC. SH&P is independent and provides no services to us other than those relating to executive and director compensation.

Our ECC often requests our CEO and CFO to be present at meetings where executive compensation and corporate and individual performance are discussed and evaluated by the ECC or the Board of Directors. At these meetings and at other times, these executives provide insight, suggestions and recommendations, as requested by the ECC, regarding executive compensation matters. Our ECC also meets with our CEO to discuss his own compensation package, and his recommendations for other executives, but ultimately decisions regarding compensation for our CEO and other executive officers are made by our ECC. Only ECC members are allowed to vote on decisions made regarding executive compensation, and these votes generally take place during the “executive session” portion of our ECC meetings, when members of management are not present.

Our Board of Directors has determined that each member of our ECC is an “independent director,” as that term is defined in the NASDAQ Marketplace Rules. Our ECC does not currently have a charter.

Executive Committee

Except as limited by law, our Executive Committee has the authority to act upon all matters requiring Board of Directors approval.

Our Executive Committee’s primary function is to be available to take prompt action in circumstances where it is impractical to convene a meeting of our Board of Directors to respond to unanticipated and time-sensitive matters. During fiscal 2009, the Executive Committee held two meetings.

Board of Directors Meetings

Our Board of Directors held seventeen meetings during fiscal 2009, including regularly scheduled and special meetings. All of the incumbent directors attended or participated in more than 75% of the total number of Board of Directors meetings and the total number of meetings held by committees of our Board of Directors on which each such director served, held during the periods in which the incumbent directors served on our Board of Directors and such committees.

Communications with Our Board of Directors

Stockholders may communicate with our Board of Directors or an individual director by writing to us at Comtech Telecommunications Corp., Attention: Corporate Secretary, 68 South Service Road, Suite 230, Melville, NY 11747.

Annual Meeting Attendance

Our Board of Directors has adopted a policy which encourages directors, if practicable and time permitting, to attend our annual meeting of stockholders, either in person, by telephone or by other similar means of live communications (including video conference or webcast). All incumbent directors, who were serving as directors at the time, attended our 2008 Annual Meeting of Stockholders in person.

CODE OF ETHICS

We have adopted a written Standards of Business Conduct that applies to our Board of Directors, principal executive officer, principal financial officer, principal accounting officer, controller and to all of our other employees. These standards are a guide to help ensure compliance with company's high ethical standards. A copy of the Standards of Business Conduct is maintained on our website at www.comtechtel.com, under the link "Investor Relations."

We intend to post on our website, as required, any amendment to, or waiver from, any provision in our Standards of Business Conduct that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, and that relates to any element of the standards enumerated in the rules of the SEC.

COMPENSATION DISCUSSION AND ANALYSIS

Our ECC determines the compensation of all of our executive officers. This discussion and analysis focuses on our Named Executive Officers and should be read in conjunction with the “Summary Compensation” table and other compensation tables in this Proxy Statement.

Objectives of Our Compensation Program for Named Executive Officers (“NEOs”)

The principal goals of our compensation program for executive officers are to help us attract, motivate and retain the talent required to develop and achieve our strategic and operating goals, with a view to maximizing stockholder value. We intend for our executive officer compensation program to support our growth-oriented business strategy by motivating and rewarding management activities that create long-term stockholder value. Our key executive officer compensation objectives are to:

- Attract and retain the key leadership talent required to successfully execute our business strategy;
 - Align executive pay with performance, both annual and long-term;
- Ensure internal equity that reflects the relative contribution of each executive officer;
- Strongly link the interests of executives to those of our stockholders and other key constituencies;
 - Keep our executive compensation practices transparent;
 - Comply with applicable rules and regulations; and
- Administer executive compensation on a cost-effective and tax-efficient basis.

We seek to achieve these goals by placing a major portion of the executives’ total compensation at risk, in the form of an annual non-equity incentive plan award and stock option awards. Non-equity incentives reward the achievement of specific pre-set financial and performance goals. Bonuses are intended to reward achievement of subjective non-specific financial and performance goals. Stock options create compensation opportunities intended to align management’s long-term interests with those of our stockholders. Such cash and stock-based compensation components have been critical factors in attracting and retaining key employees and are intended to contribute to a high level of executive commitment to our business success.

Our ECC assesses performance of our NEOs in light of business conditions and based on the efforts and effectiveness of each individual NEO. Our ECC also exercises its judgment as to the appropriate sharing between management and stockholders of the benefits of our business success.

We also intend that the levels of compensation available to executive officers be fair internally as compared to each other and competitive in the marketplace. Our compensation program needs to be competitive so that we can retain our executive officers who have demonstrated their leadership, commitment, and overall worth to our organization. These executives may be sought by other firms or may have other interests. A competitive program likewise is critical to our ability to attract new executives who share our values and commitment and who have demonstrated the abilities needed to add value to us.

Elements of Our Compensation Program for NEOs

The table below lists the elements of our current compensation program for NEOs, and briefly explains the purpose of each element:

Major Elements of Our Compensation Program	Brief Description	How This Element Promotes Our Objectives
Annual Compensation:		
- Salary	Fixed annual compensation	Intended to be competitive with marketplace in order to aid in recruitment and retention
- Bonus	Opportunity to earn compensation for achieving subjective non-specific financial and performance goals and one-time awards such as sign-on bonuses	Motivate and reward achievement of corporate objectives that enhance stockholder value
- Non-equity incentive plan compensation	Opportunity to earn performance-based compensation for achieving pre-set financial and performance goals; beginning in fiscal year 2010, a portion of awards may be paid in share units, to promote long-term equity ownership	Motivate and reward achievement of annual operating objectives and other pre-set performance objectives that enhance stockholder value
Long-term Compensation:		
- Stock options	Stock options, generally granted on an annual basis with vesting terms	Highly leveraged risk and reward aligned with creation of stockholder value; vesting terms promote retention
Other Compensation Elements:		
- Retirement savings	Qualified 401(k) plan, including employer matching contribution, intended to encourage savings for retirement	Program available to all employees; vesting terms of matching contributions promote retention
- Severance payments and benefits	Payments and benefits provided to our CEO upon termination of employment in specified circumstances	Competitive employment agreement terms are intended to help retain our CEO

- Severance payments and benefits after a change-in-control	Payments and benefits upon termination of an executive's employment in specified circumstances	Intended to provide financial security to attract and retain executives under disruptive circumstances, such as a change-in-control, and to encourage management to identify, consider and pursue transactions that would benefit stockholders, but that might adversely impact management
- Benefits	Health, life and disability benefits	Facilitate recruitment and retention
- Perquisites	Modest personal benefits, such as automobile allowance	Intended to recognize senior employee status and provide additional compensation to executives at a relatively low cost

In addition to these elements, we currently utilize certain policies and practices as follows:

Employment Agreements

We currently have an employment agreement with our CEO. This practice is intended to promote careful and complete documentation and understanding of employment terms, prevent uncertainty regarding those terms, promote good disclosure of those terms, help meet regulatory requirements under tax laws and other regulations, and discourage frequent renegotiation of the employment terms. We recognize that such agreements can limit our ability to change certain employment and compensation terms or conditions. The employment agreement also includes significant contractual restrictions intended to protect our business, particularly after termination of our CEO's employment. These business protections include obligations not to compete, not to hire away our employees, not to disparage us, and not to reveal confidential information. As described elsewhere in this Proxy, the employment agreement contains provisions requiring us to make payments in connection with or shortly following a change-in-control.

Currently, we do not have employment agreements with other NEOs. This is a result of our decision to rely on a relatively straight-forward compensation program, focused on the NEOs' opportunity to share in the success of our fast-growing business, as our means to attract and retain employees. In addition, we rely on our history of fair treatment of executives as a basis for not entering into employment agreements, other than with our CEO.

We have entered into change-in-control agreements with our other NEOs to provide them with severance benefits in the event of certain terminations of employment in connection with or shortly following a change-in-control. We have also entered into indemnification agreements with all of our NEOs that provide for indemnification by the Company against certain liabilities incurred in the performance of their duties.

Policies Regarding Hedging and Insider Trading

We have a policy that precludes executives from short selling or buying exchange-traded put options or call options associated with our stock, without the advance approval of our ECC. We restrict these transactions because they could serve to "hedge" the executive's risk of owning our stock and otherwise represent highly speculative transactions with respect to our stock. We recognize that our executives may sell shares from time to time in the open market to realize value from their share-based compensation to meet financial needs and diversify their holdings, particularly in connection with exercises of stock options. All such transactions are required to comply with our insider trading policy.

Equity Award Grant Practices

Our ECC typically grants stock options under the 2000 Stock Incentive Plan with an exercise price equal to 100% of fair market value, defined as the closing price of our Common Stock on the grant date.

Prior to fiscal 2010, our practice was to grant stock options, on an annual basis, to NEOs and other eligible employees, within the first few business days of August (which is the beginning of our fiscal year). For fiscal 2010, we granted our annual stock options in June 2009 rather than in August 2009 to better align the timing of our fiscal 2010 stock option grant with the timing of our annual business planning process. Among other things, this change allowed us to better budget and forecast stock-based compensation expense for fiscal 2010.

Equity Ownership Guidelines

In the past, our CEO and other NEOs were encouraged to hold common stock acquired through the exercise of stock options or open-market purchases, but were not required to do so.

Effective August 1, 2009, we adopted equity ownership guidelines which require that our CEO, other NEOs and other executive officers and our directors to maintain certain levels of share ownership within a specified period of time. In

the case of our CEO, minimum equity ownership is equal to the lesser of three-times annual base salary or 50,000 shares. In the case of our other NEOs, minimum equity ownership is equal to the lesser of two-times annual base salary or 20,000 shares. In order to facilitate compliance with the equity ownership guidelines, beginning with the settlement of our fiscal 2010 non-equity incentive plan awards, the ECC may designate that up to 25% of an annual non-equity incentive plan award be settled in share units as further described below under “Non-equity Incentive Plan Awards.” Our current NEOs and other executive officers have until the first quarter of fiscal 2015 to meet these guidelines. However, the ECC will consider waiving or deferring an individual’s compliance with the equity ownership guidelines if it would impose an undue financial hardship on the individual or if the ECC determines that it is not in our best interests to apply these guidelines to that individual. The minimum number of shares of common stock required to be owned by directors will be finalized in early fiscal 2010.

Severance Payment and Change-in-control Benefits

Severance protection is provided to our CEO under the terms of his employment agreement, and is provided to the other NEOs under change-in-control agreements. Severance protection is important to us and is intended to be fair and competitive to aid in attracting and retaining experienced executives. Change-in-control protection is also intended to provide a number of important benefits to us. First, it permits an executive to evaluate a potential change-in-control transaction while relatively free of concern for his or her own situation, minimizing the conflict between his or her own interests and those of our stockholders. Second, change-in-control transactions take time to unfold, and a stable management team can help to preserve our operations in order to enhance the value delivered to the buyer – and thus the price paid to our stockholders – from a transaction. Or, if a transaction falls through, keeping our management team intact can help us to continue our business without undue disruption.

In September 2008, the ECC reassessed our policies regarding severance payments and related benefits for senior executives in the event of a termination of employment following a change-in-control of Comtech. The ECC reviewed a report from its independent compensation consultant, SH&P, providing background information. In its report, SH&P reviewed the change-in-control severance practices of the following eight companies engaged in technology businesses reasonably similar to Comtech's and, on average, of a size comparable to Comtech: Arris Group, Inc., Axsys Technologies, Inc., CPI International, Inc., DRS Technologies, Inc., Kemet Corp., Powerwave Technologies, Inc., Rogers Corp., and Teledyne Technologies Inc. SH&P also summarized survey information regarding prevalence of change-in-control practices, and provided analysis of the competitiveness and reasonableness of our then current and proposed change-in-control protections. As a result of its review of this information, the ECC approved new change-in-control agreements providing a level of protection that the ECC viewed as more in line with prevailing practices.

The ECC did not benchmark the change-in-control severance policy against those of the other companies, but exercised its judgment to establish terms that would promote long-term service by executives that would continue through a change-in-control, and give an acquirer an opportunity to retain the management team after an acquisition. However, the level of severance payment set by the ECC (2.5 times the sum of salary and annual incentive), was within the range determined by our consultant to represent market practice. The ECC believes that one of our greatest strengths is our management and workforce, so that an acquirer could be expected to pay more to acquire the Company with the team remaining intact after the acquisition.

Tax Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code subjects public companies to limits on the deductibility of certain executive compensation to \$1.0 million per year to each person who is, at the end of the fiscal year, our CEO or one of the three other most highly compensated officers listed in the "Summary Compensation" table, but excluding our CFO. Certain forms of compensation are exempt from this deductibility limit, one of which is qualifying "performance-based compensation."

As a matter of policy, we structure annual incentives for our NEOs so that they will be substantially deductible without limitation. Certain taxable fringe benefits paid to our CEO for fiscal 2009 were non-deductible by us under Section 162(m), but the aggregate tax cost to us resulting from such lost deductions is not expected to exceed \$30,000.

Our ECC retains authority and discretion to approve compensation that may be non-deductible, and may do so in circumstances in which it concludes that payment of such compensation serves to enhance our Company's ability to attract, retain and appropriately reward executives and therefore is in the best interests of our Company and its stockholders.

Determination of Compensation Opportunities for NEOs

In general, our ECC intends that the total compensation opportunity for an executive will be competitive with market levels of compensation.

In the past, our ECC has considered compensation information relating to competitive companies in order to gauge market levels of compensation in the market for executive talent in which we compete. Our ECC does not, however, benchmark executive compensation to market levels and has not obtained formal benchmarking studies in several years. As discussed under the caption “Potential Termination and Change-in-control Payments,” in September 2008, our ECC considered and reviewed current market practices with regard to change-in-control protections of eight peer companies engaged in technology business reasonably similar to our business. However, as in the past, this review was undertaken for background information and not with a view toward benchmarking our policies against those of the other companies.

In making decisions regarding our executive officer compensation, ECC members draw upon their general knowledge and understanding of what executive officers of other companies are earning, particularly in our industry. The elements of those pay packages and general industry trends are derived, in each case, from publicly available information such as other public company SEC filings and published reports on levels of executive compensation. Our ECC uses this only to obtain a general understanding of what executive officers of other companies are earning.

The ECC sets pay opportunities for specific individuals based on the skills, experience, and long-term performance of the individual, and assessments with respect to the individual’s ability to add value to our Company. Actual total compensation in a given year will vary upward or downward based primarily on the attainment of operating goals and the creation of stockholder value.

Our Company has experienced substantial long-term growth and success over the past 12 years. One effect of this has been a conservative approach on the part of our ECC toward changing the structure of the program and the forms of awards under the program. High levels of performance have resulted in the performance-based elements of the program – annual incentives and stock options – delivering a majority of compensation, with fixed portions of compensation – salary in particular – representing a smaller portion of compensation than would have been the case had our Company experienced slower growth or lower levels of performance. Our ECC is satisfied that this allocation of compensation both has reflected the success of our Company and served to encourage such success, and has permitted the allocation among salary, annual incentive, and stock options to shift to a heavier weighting toward annual incentives and stock options in recent years.

The following elements comprise the cash compensation opportunities for NEOs:

Base Salary – Base salaries paid to our executive officers are intended to be generally competitive with those paid to executives holding comparable positions in the marketplace.

Our ECC reviews base salaries each year and, as appropriate, makes upward adjustments to the previous level of base salary based on the ECC’s assessment of the executive officer’s individual performance, taking into consideration the operating and financial performance of our Company’s operations for which the executive is responsible. These adjustments involve a degree of subjective judgment on the part of our ECC, both as to the NEO’s performance and as to the competitiveness of salary levels for each of the NEO’s positions.

Bonuses – Our ECC has the ability to award annual cash bonuses intended to motivate and reward achievement of corporate objectives by creating the potential to earn compensation for achieving subjective non-specific financial and

performance goals and also include certain one-time awards such as sign-on bonuses to a newly hired NEO. Our ECC can also award cash bonuses to a NEO for extraordinary performance. Because our non-equity incentive plan awards (discussed below) include certain personal goals, our ECC does not generally award annual cash bonuses (as defined) to NEOs.

Non-equity Incentive Plan Awards – Non-equity incentive plan compensation is intended to motivate and reward achievement of annual operating objectives and other pre-set performance objectives that enhance stockholder value. In recent years, upon achievement and final approval by the ECC, annual non-equity incentive plan awards have been paid in cash.

Effective August 1, 2009, our ECC has reserved discretion to pay out a portion of fiscal 2010 and future non-equity incentive plan awards in the form of share units, with the number of share units to be granted in lieu of cash to be based on the fair market value of the common stock underlying the share units at the time of settlement of the fiscal 2010 awards, shortly after the end of fiscal year 2010. Share units will not have vesting terms requiring further service on the part of the executive, but will be subject to cancellation in the event the executive engages in specified activities detrimental to the Company. Share units are intended to be settled by delivery of one share of our common stock for each share unit at the date three years after grant, subject to acceleration only upon death or a change-in-control. The ECC believes that by settling a portion of future non-equity incentive plan awards by granting share units, potential recipients will be able to more quickly meet our recently adopted equity ownership guidelines. In addition, although potential recipients will be fully vested in their share units, they retain ownership risks like our shareholders because the share units are intended to be settled by delivery of common stock three years after grant.

Effective August 1, 2009, our ECC has adopted guidelines that are intended to limit the dollar amount of non-equity incentive plan awards payable to each of our NEOs (including our CEO) and other executive officers to a percentage of salary that ranges from 300% to 500% of base salary. Such limitations are primarily intended to go into effect upon an executive officer achieving actual results that are far in excess of original non-equity incentive plan award targets. As such, once the maximum goals are reached, the executive officer's annual non-equity incentive plan award would be limited. The ECC believes that our executive officers will continue to be motivated, despite reaching a maximum award, because almost all of our executive officers have significant holdings of stock options and/or ownership of Comtech common stock.

Non-equity incentive plan compensation is paid to all of our executive officers who are subsidiary presidents pursuant to annually developed incentive plans (the "Incentive Compensation Plan"). Under the Incentive Compensation Plan, these officers receive compensation up to a fixed percentage of each applicable subsidiary's or subsidiaries' pre-tax profit each year, subject to the attainment of financial performance goals (primarily operating profit, new orders and cash flow) and personal performance targets that are developed by our CEO and reviewed and approved by our ECC. Our ECC sets final goals after considering the budget submitted for that year.

For the past several years, the non-equity incentive plan compensation for executive officers who were not subsidiary presidents (including our CFO and other Corporate Senior Vice Presidents), has been based on our ECC's subjective assessment of their performance, with significant input from our CEO. Effective for fiscal 2009, our ECC changed the structure of the non-equity incentive plan compensation for our executive officers who are not subsidiary presidents to be more aligned with the overall financial performance goals of our other NEOs. Financial performance goals for these executive officers in fiscal 2009 and fiscal 2010 were based on the aggregate targeted annual goals for the entire company.

This change was made in recognition of the fact that these executive officers are able to contribute substantially to the realization of these key business goals. At the same time, we also believe our CFO plays a unique and significant role in ensuring the short-term and long-term integrity and oversight of our financial reporting practices. As such, we believe his incentives to perform well in that role should not solely be tied to achievement of annual operating results. In order to ensure our CFO remains properly incentivized, our CFO generally receives relatively lower targeted non-equity incentive plan compensation than certain of our other executive officers, and relatively higher annual stock option grants, which we view as an additional means to focus our CFO on maintaining sound long-term financial reporting practices. In addition, our CFO's personal goals for fiscal 2009 and 2010, include, among others, a goal to

reduce internal control deficiencies across the Company. Our NEOs, other than our CEO, also have personal goals to reduce internal control deficiencies at their subsidiaries or group of subsidiaries.

Use of Financial Performance Measures

For the past several years, we have used “pre-tax profit” (also referred to as “pre-tax income”) as a primary financial performance measure for determining the amount of annual non-equity incentive plan awards. We view pre-tax profit as an effective measure of the overall success of executive officers in guiding and growing our business. This performance measure has been used for a number of years for both planning purposes and in determining annual non-equity incentive plan compensation, during which period we have experienced outstanding growth.

Pre-tax profit, for this purpose, is not the same as the pre-tax income determined under U.S. Generally Accepted Accounting Principles (“GAAP”). For both fiscal 2008 and fiscal 2009, the pre-tax profit measure has been adjusted to eliminate the effects of: (i) stock-based compensation recorded pursuant to Statement of Financial Accounting Standards (“SFAS”) 123(R), (ii) the amortization of newly acquired intangibles with finite lives, (iii) any adjustment required by the adoption of new accounting standards, (iv) certain costs associated with exit or disposal activities, and (v) the write off of purchased in-process research and development expense, and impairment loss on goodwill. For fiscal 2009, the pre-tax profit measure also included adjustments to eliminate the effects of: (i) expenses in connection with a purchased business combination under EITF 95-3 or other accounting literature, (ii) expenses associated with termination of employees under FASB Staff Position FAS 146-1, and (iii) expenses related to potential change-in-control matters. In the case of our CEO, pre-tax profit is calculated before recognition of the expense of the full annual incentive award potentially payable to our CEO. In connection with the establishment of our annual goals for fiscal 2010, the ECC has adopted a similar definition of pre-tax profit as in fiscal 2009, except that such definition also includes the adjustment of the pre-tax profit measure to eliminate the effect of any business acquisition-related expense pursuant to SFAS No. 141R, which was required to be adopted by us on August 1, 2009.

Pre-tax profit is not the sole performance metric we consider in awarding annual incentives. Our NEOs, other than our CEO, also have to achieve other financial performance goals based on operating profit, new orders and/or cash flows. Our ECC also considers other factors, such as the individual performance of the executive officer based on the achievement of personal goals that were established at the beginning of the fiscal year. Our ECC then makes a determination of the amount of annual incentive to be paid to the executive officer, up to a maximum level which, for fiscal 2009, was calculated as a pre-set percentage of pre-tax profit, and for fiscal 2010 is set as the lower of a pre-set percentage of pre-tax profit or a specified percentage of each NEO’s base salary. Our ECC believes that its ability to exercise judgment in determining annual incentive awards is advantageous as compared to establishing a precise formula for calculating incentives which limits flexibility in determining the final amount payable. Our ECC retains negative discretion to reduce any calculated award, except for contractually agreed upon amounts.

The annual incentive program is meant to incentivize performance that will benefit the Company. At the same time, the ECC has sought for the program not to create distorted incentives that might impel undue risk taking. Use of a broad financial measure – pre-tax profit – ameliorates these risks, because it reflects both revenue and expense incurred in generating revenue. In addition, the ECC sets a number of personal goals for the NEOs other than our CEO to further broaden the focus and to support specific goals identified in our planning process. Our annual cash incentive payouts are in all cases subject to a recoupment policy (often referred to as a “clawback” policy) which would require forfeiture of a specified portion of the annual incentive award under certain circumstances, including if the NEO were to engage in certain activities that would be grounds for termination for cause (this would include misconduct that would cause us to issue a restatement of the financial statements), or if the employee were to engage in competition or other specified activities detrimental to us.