

GLENAYRE TECHNOLOGIES INC

Form DEF 14A

April 26, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A INFORMATION  
PROXY STATEMENT PURSUANT TO SECTION 14(a)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material under Rule 14a-12

Glenayre Technologies, Inc.

(Name of Registrant as Specified in its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies: N/A

(2) Aggregate number of securities to which transaction applies: N/A

(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):  
N/A

(4) Proposed maximum aggregate value of transaction: N/A

(5) Total fee paid: N/A

☐ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid: N/A

(2) Form, Schedule or Registration Statement No.: N/A

(3) Filing Party: N/A

(4) Date Filed: N/A



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**GLENAYRE TECHNOLOGIES, INC.**  
**825 8th Avenue, 23rd floor**  
**New York, New York 10019**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**  
**TO BE HELD ON MAY 22, 2007**

The 2007 Annual Meeting of the Stockholders of Glenayre Technologies, Inc., a Delaware corporation (the **Company**), will be held at the Courtyard by Marriott, 1856 Remount Road, Gastonia, North Carolina 28054 on May 22, 2007 at 9:00 a.m., local time, for the following purposes:

To elect three Class II Directors,

To ratify the selection of Ernst & Young LLP as the independent registered public accounting firm to audit the financial statements of the Company, and

To transact any other business that may properly come before the 2007 Annual Meeting and any adjournment(s) or postponement(s) thereof.

The close of business on March 26, 2007 has been fixed as the record date for determination of stockholders entitled to notice of and to vote at the 2007 Annual Meeting and any adjournment(s) or postponement(s) thereof. A Proxy Statement, a form of proxy and the Company's 2007 Annual Report are enclosed with this Notice.

A list of stockholders entitled to vote at the 2007 Annual Meeting will be open to the examination of any stockholder for any purpose relevant to the 2007 Annual Meeting, during ordinary business hours, for a period of 10 days prior to the 2007 Annual Meeting at the Company's offices located at 825 8th Avenue, 23rd floor, New York, New York and will be available at the meeting for such purpose.

Stockholders are cordially invited to attend this meeting. Each stockholder, whether or not he or she expects to be present in person at the 2007 Annual Meeting, is requested to **SIGN, DATE and RETURN THE ENCLOSED PROXY** in the accompanying envelope as promptly as possible.

BY ORDER OF THE BOARD OF DIRECTORS

Clarke H. Bailey  
*Chairman*

April 27, 2007

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**GLENAYRE TECHNOLOGIES, INC.  
PROXY STATEMENT**

**2007 ANNUAL MEETING**

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Glenayre Technologies, Inc. (the **Company** or **Glenayre**) of proxies for use at the 2007 Annual Meeting of Stockholders to be held at the Courtyard by Marriott, 1856 Remount Road, Gastonia, North Carolina 28054 on May 22, 2007 at 9:00 a.m., local time, and any adjournment(s) or postponement(s) thereof.

This Proxy Statement, the Notice of the 2007 Annual Meeting and the form of proxy were first mailed to stockholders on or about April 27, 2007. The Company's principal executive offices are located at 825 8th Avenue, 23rd floor, New York, New York.

**Voting and Record Date**

As of March 26, 2007, the record date for the determination of stockholders of the Company entitled to notice of and to vote at the 2007 Annual Meeting, the Company had 69,548,782 shares of common stock, \$0.02 par value (**Common Stock**), outstanding and entitled to vote. Each holder of Common Stock at the close of business on March 26, 2007 will be entitled to one vote for each share held of record.

The three director nominees receiving the most affirmative votes of the shares of Common Stock present or represented and entitled to vote at the meeting will be elected as directors to serve until the expiration of their terms or until their successors have been duly elected or qualified. The affirmative vote of a majority of the votes cast at the meeting is required to ratify the selection of Ernst & Young LLP as the independent registered public accounting firm to audit the financial statements of the Company.

One-third of the total outstanding shares of Common Stock will constitute a quorum at the meeting. Abstentions and broker non-votes will be counted for purposes of determining the presence or absence of a quorum for the transaction of business. An abstaining vote in the election of directors is not counted and therefore has no effect on the election; however, an abstaining vote on all other proposals will have the same effect as a negative vote on the proposal. A broker non-vote on any proposal, including the election of directors, will not be included as a vote cast in the tabulation of the voting results and therefore does not affect the outcome of the vote. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee has not received instructions from the beneficial owner and does not have discretionary voting power for that particular item.

**Solicitation of Proxies**

Any stockholder giving a proxy for the 2007 Annual Meeting may revoke it at any time prior to the voting thereof by giving written notice to the Chairman or the Secretary of the Company by filing a later-dated proxy with either of them prior to the commencement of the 2007 Annual Meeting, or by voting in person at the 2007 Annual Meeting. Proxies and notices of revocation should be mailed or delivered to Glenayre Technologies, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, New York 11717 for receipt by Broadridge no later than two business days prior to the 2007 Annual Meeting, or should be deposited with the Chairman or the Secretary of the Company immediately prior to the commencement of the 2007 Annual Meeting.

All shares of Common Stock represented by proxies will be voted at the 2007 Annual Meeting, and any adjournment(s) or postponement(s) thereof, as specified therein by the persons giving the proxies. If no direction is given, the proxy will be voted:

to elect the nominees listed under ELECTION OF DIRECTORS,

to ratify the selection of Ernst & Young LLP as the independent registered public accounting firm, and

in the discretion of the holders of the proxies, on all other matters properly brought before the 2007 Annual Meeting and any adjournment(s) or postponement(s) thereof.

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Solicitation of proxies is being made primarily by mail; however, there may also be further solicitation in person and by telephone at nominal cost by directors, officers, employees and agents of the Company, who will receive no additional compensation therefor. The Company will bear all costs of soliciting proxies including charges made by brokers and other persons holding stock in their names or in the names of nominees for reasonable expenses incurred in sending proxy material to beneficial owners and obtaining their proxies.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

Listed in the following table are the beneficial owners known to the Company as of March 16, 2007, of more than 5% of the outstanding Common Stock. In addition, this table includes the number of shares of Common Stock beneficially owned by each director and each of the executive officers listed in the Summary Compensation Table, and the number of shares owned by directors and executive officers as a group. Except as noted below, the address of the beneficial owners is Glenayre Technologies, Inc., 825 8th Avenue, 23rd floor, New York, New York 10019.

Name of Beneficial Owner	Number of Shares	
	Beneficially Owned(1)	Percent of Class
Clarke H. Bailey	1,035,002(2)	1.47%
James Caparro		*
Jordan Copland		*
Debra L. Ziola	386,882(3)	*
Thomas Costabile		*
Matthew Behrent	58,494(4)	*
Roger Morgan		*
Ramon D. Ardizzone	136,527(5)	*
Donald S. Bates	128,100(6)	*
Cliff O. Bickell	33,436(7)	*
Peter W. Gilson	175,754(8)	*
John J. Hurley	263,852(9)	*
Horace H. Sibley	140,554(10)	*
Howard W. Speaks, Jr.	80,754(11)	*
All directors and executive officers as a group (14 persons)	2,439,355(12)	3.42%
State of Wisconsin Investment Board(13)	6,719,305	9.66%
Robert L. Chapman, Jr. et al(14)	6,720,663	9.66%
Dimensional Fund Advisors, Inc.(15)	3,563,722	5.12%

\* Less than 1%.

- (1) In each case the beneficial owner has sole voting and investment power except as otherwise noted.
- (2) Includes 700 shares held by Mr. Bailey's son and 713,485 shares that may be acquired at or within 60 days of March 16, 2007, pursuant to the exercise of options.
- (3) Includes 304,335 shares that may be acquired at or within 60 days of March 16, 2007 pursuant to the exercise of options.



- (4) Consists of 58,494 shares that may be acquired at or within 60 days of March 16, 2007 pursuant to the exercise of options.
- (5) Includes 120,000 shares that may be acquired at or within 60 days of March 16, 2007 pursuant to the exercise of options.
- (6) Includes 1,039 shares held by Mr. Bates spouse and 110,000 shares that may be acquired at or within 60 days of March 16, 2007 pursuant to the exercise of options.
- (7) Includes 30,000 shares that may be acquired at or within 60 days of March 16, 2007 pursuant to the exercise of options.

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- (8) Includes 110,000 shares that may be acquired at or within 60 days of March 16, 2007 pursuant to the exercise of options.
- (9) Includes 80,000 shares that may be acquired at or within 60 days of March 16, 2007 pursuant to the exercise of options.
- (10) Includes 100,000 shares that may be acquired at or within 60 days of March 16, 2007 pursuant to the exercise of options.
- (11) Includes 60,000 shares that may be acquired at or within 60 days of March 16, 2007 pursuant to the exercise of options.
- (12) Includes 1,686,314 shares that may be acquired at or within 60 days of March 16, 2007 pursuant to the exercise of options.
- (13) The address of State of Wisconsin Investment Board ( **SWIB** ) is P.O. Box 7842, Madison, Wisconsin 53707. The information about SWIB is based on the Schedule 13G filed by SWIB on February 12, 2007.
- (14) The information about Robert L. Chapman et al is based on the Schedule 13D jointly filed by Mr. Chapman, Chap-Cap Activist Partners Master Fund, Ltd., Chap-Cap Partners II Master Fund, Ltd. and Chapman Capital L.L.C. on December 14, 2006. According to that filing, Chap-Cap Activist Partners Master Fund, Ltd has shared voting power and sole dispositive power over 3,954,523 shares, Chap-Cap Partners II Master Fund, Ltd. has shared voting power and sole dispositive power over 2,766,140 shares, Chapman Capital L.L.C. and Mr. Chapman each has shared voting and dispositive power over 6,720,663 shares. Mr. Chapman's and the reporting entities' address is Pacific Corporate Towers, 222 N. Sepulveda Blvd, El Segundo, CA 90245.
- (15) The address of Dimensional Fund Advisors, Inc. ( **DFA** ) is 1299 Ocean Avenue, 11th Floor, Santa Monica, CA 90401. This information is provided as of December 31, 2006 and is based on the Schedule 13G filed by DFA on February 8, 2007. Such shares are owned by certain investment companies, commingled group trusts and accounts with respect to which DFA acts as an investment advisor or manager. DFA disclaims beneficial ownership of all such shares.

## **EXECUTIVE OFFICERS OF THE REGISTRANT**

**James Caparro**; age 55; President and Chief Executive Officer of the Company since November 2006; President and Chief Executive Officer of Entertainment Distribution Company, LLC, a majority-owned subsidiary ( **EDC** ), since May 2005; President and Chief Executive Officer of Atari, Inc. from December 2004 to June 2005; Chairman and Chief Executive Officer of Warner Elektra Atlantic from September 2002 through July 2003; Chairman and Chief Executive Officer of Universal Music's The Island Def Jam Music Group from 1998 through 2001; Chief Executive Officer of PolyGram divisions Group Distribution, PolyMedia, Video, Merchandising, Diversified Entertainment, New Media and Business Development from 1988 to 1998.

**Jordan M. Copland**; age 45; Executive Vice President, Chief Financial Officer, Treasurer and Secretary of the Company since December 2006; Executive Vice President of Strategic Development and Chief Financial Officer of GSI Commerce, Inc. from February, 2000 to November 2006; Senior Vice President and Chief Financial Officer of Virgin Entertainment Group, Inc. from March 1999 to February 2000; various financial and executive positions within Disney Consumer Products, a division of The Walt Disney Company from October 1990 to March 1999.

**Matthew K. Behrent**; age 36; Senior Vice President & Chief Acquisitions Officer of the Company since July 2005; Vice President of Revolution Partners from March 2004 until June 2005; Associate at Credit Suisse First Boston from June 2000 until January 2003; Associate at Cleary Gottlieb Steen & Hamilton from June 1998 until May 2000.

**Thomas Costabile**; age 53; Executive Vice President and Chief Operating Officer of EDC since May 2005; President of Warner Elektra Atlantic Manufacturing from 2002 to 2004; Senior Vice President of Operations for Sony Music from 1994 to 2002.

**Roger J. Morgan**; age 42; Executive Vice President International Operations of EDC since June 2005; Head of Operations Universal Manufacturing & Logistics International from January 2005 to May 2005; Chief Financial Officer of Universal Manufacturing & Logistics International from July 1999 to December 2004.

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**John V. Madison**; age 57; Executive Vice President, Business Development, Sales & Marketing of EDC since December 2005; Executive Vice President for WEA Corp., Warner Music Group's U.S. sales and distribution company, from 2001 to 2005; Senior Vice President AM/FM Broadcasting from 1996 to 2000.

**ELECTION OF DIRECTORS**

The total number of directors on the Company's Board of Directors is nine. Pursuant to the Company's Certificate of Incorporation and By-Laws, the Board of Directors is divided into three classes each consisting, as nearly as may be possible, of one-third of the total number of directors, for terms of three years. At the 2007 Annual Meeting, three Class II Directors are to be elected. As proposed and recommended by the Governance and Nominating Committee, the Board of Directors has nominated John J. Hurley, Horace H. Sibley and Howard W. Speaks, Jr., each of whom is currently serving as a director of the Company, for election as Class II Directors to serve for three-year terms expiring at the Annual Meeting of Stockholders in 2010, and until their respective successors shall have been elected and qualified.

The Board of Directors recommends a vote **FOR** all of the nominees. Each of the nominees has indicated his willingness to serve if elected, and the Board of Directors has no reason to believe that any nominee will be unavailable. In the event that a vacancy arises among such nominees by death or any other reason prior to the 2007 Annual Meeting, the proxy may be voted for a substitute nominee or nominees designated by the Board of Directors.

Biographical information follows for each person nominated and each person whose term as a director will continue after the 2007 Annual Meeting.

**Nominees for Election as Class II Directors until the 2010 Annual Meeting**

<b>Name</b>	<b>Age</b>	<b>Positions with Company, Business Experience and Other Directorships</b>
John J. Hurley	72	Director of the Company since November 1992; Private investor since June 1996; Vice Chairman of the Company from December 1994 to June 1996; President of the Company from November 1992 to December 1994; Chief Operating Officer of the Company from November 1992 to March 1994; and Chief Executive Officer of the Company from March 1994 to May 1994
Horace H. Sibley	67	Director of the Company since August 1997; Partner with the law firm of King and Spalding from 1973 to December 2001
Howard W. Speaks, Jr.	59	Director of the Company since May 2001; Chief Executive Officer of Rosum Corp, a maker of global positioning system products, since August 2003; President and Chief Operating Officer of Kyocera Wireless Corp., a developer and manufacturer of wireless phones and accessories, from August 2001 to August 2003; President and Chief Executive Officer of Triton Network Systems, Inc., a wireless communications equipment company, from September 1999 to August 2001; Executive Vice President and General Manager, Network Operators Group of Ericsson, Inc. from January 1999 to September 1999; Executive Vice President and General Manager, Wireless Division of Ericsson, Inc. from January 1998 to December 1999; Vice President, Western Region of Ericsson, Inc. from 1995 to 1997; Director of Terayon Communication Systems; Director of Triton Network System, Inc.



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<b>Name</b>	<b>Age</b>	<b>Positions with Company, Business Experience and Other Directorships</b>
Ramon D. Ardizzone	69	Director of the Company since November 1992; Vice Chairman of the Company since May 2001; Chairman of the Company from June 1996 to September 1999; President and Chief Executive Officer of the Company from December 1998 to June 1999; President of the Company from December 1994 to June 1996; Chief Executive Officer of the Company from May 1995 through December 1996; Acting Chief Executive Officer of the Company from December 1994 to May 1995; Chief Operating Officer of the Company from June 1994 to December 1994; Acting Chief Operating Officer of the Company from May 1994 to June 1994; Executive Vice President of the Company from November 1992 to December 1994; Executive Vice President of the Company in charge of Sales and Marketing from November 1992 to May 1994
Cliff O. Bickell	64	Director of the Company since October 2004; Consultant to Scientific Games, Inc. from January 2007; President, Scientific Games, Inc. Printed Products Division from September 2000 to December 2006; Vice President, Chief Financial Officer and Treasurer of Scientific Games, Inc. from January 1995 to August 2000; Vice President, Chief Financial Officer, and Treasurer of Paragon Trade Brands, Inc. from May 1992 to January 1995
James Caparro	55	Director, President and Chief Executive Officer of the Company since November 2006; President and Chief Executive Officer of EDC since May 2005; President and Chief Executive Officer of Atari, Inc. from December 2004 to June 2005; Chairman and Chief Executive Officer of Warner Elektra Atlantic from September 2002 through July 2003; Chairman and Chief Executive Officer of Universal Music's The Island Def Jam Music Group from 1998 through 2001; Chief Executive Officer of PolyGram divisions Group Distribution, PolyMedia, Video, Merchandising, Diversified Entertainment, New Media and Business Development from 1988 to 1998

**Directors Continuing in Office as Class I Directors until the 2009 Annual Meeting**

<b>Name</b>	<b>Age</b>	<b>Positions with Company, Business Experience and Other Directorships</b>
Clarke H. Bailey	52	Director of the Company since December 1990; Chief Executive Officer of the Company from October 2003 to November 2006; Chairman of the Company since October 1999; Vice Chairman of the Company from November 1992 to June 1996; Chief Executive Officer of the Company from December 1990 to March 1994; and Acting Chief Executive Officer of the Company from May 1994 to December 1994; Director of Iron Mountain Incorporated; Director of ACT Teleconferencing, Inc.
Donald S. Bates	78	Director of the Company since January 1997; Private consultant in the electronics and telecommunications industry since 1988; employed by General Electric Company from 1951 to 1981 holding various managerial positions in electronics, communications and computing services, retiring as

Peter W. Gilson	67	Senior Vice President and Group Executive Director of the Company since March 1997; Chairman of the Board of Directors of Swiss Army Brands, Inc. from May 1998 to August 2002; Chairman of the Executive Committee of Swiss Army Brands, Inc. from 1998 to May 2002. President, Chief Executive Officer and Director of Physician Support Systems, Inc. from 1991 to December 1997
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**COMMITTEES OF THE BOARD OF DIRECTORS**

The Board of Directors met 18 times during 2006. The Board of Directors operates under the terms of a charter, a copy of which is available on the Company's website at [www.glenayre.com](http://www.glenayre.com) under the headings "Investors" and "Corporate Governance". The full Board of Directors has determined that the following directors are independent under the standards set forth in the Board of Directors charter and the listing standards of the Nasdaq Stock Market, Inc. ( "Nasdaq"): Donald S. Bates, Cliff O. Bickell, Peter W. Gilson, John J. Hurley, Horace H. Sibley and Howard W. Speaks. The independent directors met in executive session four times during 2006.

The Board of Directors has standing Executive, Audit, Governance and Nominating and Compensation and Plan Administration Committees. Each of these committees operates under the terms of a charter, a copy of which is available on the Company's website at [www.glenayre.com](http://www.glenayre.com) under the headings "Investors" and "Corporate Governance". The Board of Directors also has a Special Litigation Committee, which is an ad hoc committee formed to address issues related to previously announced stock option litigation. The functions and membership of the Executive, Audit, Governance and Nominating and Compensation and Plan Administration Committees are set forth below.

Each member of the Board of Directors attended 90% or more of the aggregate number of meetings of the Board of Directors and the meetings of all committees of the Board of Directors on which he served during 2006.

**Executive Committee**

Ramon D. Ardizzone, Clarke H. Bailey, Peter W. Gilson, Horace H. Sibley and John J. Hurley currently serve on the Executive Committee. The Executive Committee met three times during 2006. The Executive Committee exercises the full powers of the Board of Directors to the extent permitted by law between Board of Directors meetings.

**Audit Committee**

John J. Hurley, Donald S. Bates and Cliff O. Bickell currently serve on the Audit Committee. The Audit Committee met ten times during 2006. All of the members of the Audit Committee are independent directors within the meaning of applicable Nasdaq listing standards. The Board of Directors has determined that Mr. Hurley is an "audit committee financial expert" within the meaning of the regulations of the Securities and Exchange Commission.

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. The Audit Committee's role includes a particular focus on the qualitative aspects of financial reporting to stockholders and on the Company's processes and procedures for the management of business and financial risks. The function of the Audit Committee is to provide assistance to the Board of Directors in fulfilling its responsibility to stockholders, potential stockholders and the investment community in monitoring:

the accounting and reporting practices of the Company,

the Company's compliance with legal and regulatory requirements related to financial reporting,

the qualifications and independence of the Company's independent registered public accounting firm,

the performance of the Company's internal audit function and independent registered public accounting firm, and

the quality and integrity of the financial reports of the Company.



A full description of the Audit Committee's primary responsibilities, operating principles, and relationship with the internal auditor and the independent registered public accounting firm is contained in the Audit Committee Charter, a copy of which is available on the Company's website at [www.glenayre.com](http://www.glenayre.com) under the headings "Investors" and "Corporate Governance."

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**Governance and Nominating Committee**

Horace H. Sibley, Peter W. Gilson and John J. Hurley currently serve on the Governance and Nominating Committee. All of the members of the Governance and Nominating Committee are independent directors within the meaning of applicable Nasdaq listing standards. The Governance and Nominating Committee met five times during 2006. The Governance and Nominating Committee's functions include assisting the Board of Directors in ensuring that it is appropriately constituted to meet its fiduciary obligations to the stockholders and the Company by developing and implementing policies and processes regarding corporate governance matters, by assessing Board of Directors membership needs, and by proposing director candidates to the Board of Directors. The Governance and Nominating Committee is also responsible for reviewing and recommending action to the Board of Directors concerning related party transactions or relationships involving a possible conflict of interest between the Company and either a director or a senior executive officer.

In identifying potential director candidates, the Governance and Nominating Committee seeks input from other members of the Board of Directors and executive officers and also considers recommendations by employees, community leaders, business contacts, third-party search firms and any other sources deemed appropriate by the Governance and Nominating Committee. The Governance and Nominating Committee will also consider director candidates recommended by stockholders to stand for election at the Annual Meeting of Stockholders, so long as such recommendations are submitted in accordance with the procedures described below.

The Governance and Nominating Committee has not set specific, minimum qualifications that must be met by a director candidate. Rather, in evaluating candidates for recommendation to the Board of Directors, the Governance and Nominating Committee considers the following factors, in addition to any other factors that it deems appropriate:

whether the candidate is of the highest ethical character and shares the values of the Company,

whether the candidate's reputation, both personal and professional, is consistent with the image and reputation of the Company,

whether the candidate's characteristics, experiences, perspectives and skills would benefit the Board of Directors given the current composition of the Board of Directors,

whether the candidate is independent as defined by Nasdaq listing standards and other applicable laws, rules or regulations regarding independence,

whether the candidate qualifies as someone who is financially sophisticated or as an audit committee financial expert as described in Nasdaq listing standards or any other applicable laws, rules or regulations,

whether the candidate is free from material conflicts of interest that would interfere with the candidate's ability to perform the duties of a director or violate any applicable Nasdaq listing standard or other applicable law, rule or regulation,

whether the candidate's service as an executive officer of another company or on the boards of directors of other public companies would interfere with the candidate's ability to devote sufficient time to discharge his or her duties as a director, and

if the candidate is an incumbent director, the director's overall service to the Company during the director's term, including the number of meetings attended, the level of participation and the overall quality of

performance of the director.

Qualified candidates are selected for recommendation to the Board by majority vote of the Governance and Nominating Committee. The Board of Directors, taking into consideration the recommendations of the Governance and Nominating Committee, is responsible for filling vacancies and selecting nominees for election as directors at the Annual Meeting of Stockholders, with the primary emphasis on the guidelines set forth above.

Stockholders who wish to recommend director candidates for consideration by the Governance and Nominating Committee may do so by mailing a written recommendation to Chairman, Governance and Nominating

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Committee, c/o Secretary, Glenayre Technologies, Inc., 825 8th Avenue, 23rd floor, New York, New York 10019. Such recommendation must include the following information:

the name and address of the stockholder submitting the recommendation, the beneficial owner, if any, on whose behalf the recommendation is made and the director candidate,

the class and number of shares of stock of the Company that are owned beneficially and of record by the stockholder and, if applicable, the beneficial owner, including the holding period for such shares as of the date of the recommendation,

full biographical information concerning the director candidate, including a statement about the director's qualifications,

all other information regarding each director candidate proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission,

description of all arrangements or understandings among the stockholder and the candidate and any other person or persons pursuant to which the recommendation is being made, and

a written consent of the candidate (1) to be named in the Company's proxy statement and stand for election if nominated by the Board of Directors and (2) to serve if elected by the stockholders.

Recommendations by stockholders for director candidates to be considered by the Governance and Nominating Committee must be submitted not later than the 120th calendar day before the date the Company's proxy statement was released to stockholders in connection with the previous year's annual meeting. The submission of a recommendation by a stockholder in compliance with these procedures will not guarantee the selection of the stockholder's candidate or the inclusion of the candidate in the Company's proxy statement.

The By-Laws of the Company also provide that nominations of persons for election to the Board of Directors may be made at any Annual Meeting of Stockholders by any stockholder entitled to vote on such election. Such nominations must be submitted to the Secretary of the Company in accordance with the procedures specified in Section IX of Article II of the Company's By-Laws as described under "PROPOSALS OF STOCKHOLDERS" below. The Company's By-Laws require the presiding officer of the Annual Meeting of Stockholders to refuse to acknowledge the nomination of any person that is not submitted in compliance with such procedures.

**Compensation and Plan Administration Committee**

Peter W. Gilson, Donald S. Bates, and Howard W. Speaks, Jr. currently serve on the Compensation and Plan Administration Committee. All of the members of the Compensation and Plan Administration Committee are independent directors within the meaning of applicable Nasdaq listing standards. The Compensation and Plan Administration Committee met six times during 2006. The function of the Compensation and Plan Administration Committee is to develop and review all compensation philosophies and practices and to review and approve all bonus and incentive programs, as well as all compensation and benefits for executive officers. The Compensation and Plan Administration Committee is also responsible for reviewing, overseeing and making recommendations to the Board of Directors on the Company's incentive stock plans, employee stock purchase plan and 401(k) plan and for reviewing and recommending to the Board of Directors compensation and benefits for the Board of Directors. The charter of the Compensation and Plan Administration Committee does not provide for the delegation by the committee of its duties to any other committee or executive officers of the Company. Regarding most compensation matters, including executive and director compensation, Company management provides recommendations to the Compensation and

Plan Administration Committee, which are considered by the committee in the discharge of its duties. Periodically, the Compensation and Plan Administration Committee consults with Pearl Meyer & Partners to provide input on compensation issues, as well as the technical aspects of executive pay programs. The Compensation and Plan Administration Committee also retained the services of Greg Flores, a compensation consultant with experience in the entertainment industry, to evaluate the targets used for the Company's annual cash bonus program. The charter of the Compensation and Plan Administration Committee is posted on the Company's website at [www.glenayre.com](http://www.glenayre.com) under the headings Investors and Corporate Governance.

**Table of Contents****Compensation Committee Interlocks and Insider Participation**

No member of the Compensation and Plan Administration Committee has ever been an officer or employee of the Company. During 2006, no executive officer of the Company served as a director or member of the compensation committee (or other committee performing similar functions) of any other entity of which a member of the Board of Directors of the Company was an executive officer. During 2006, no director or member of the Compensation and Plan Administration Committee served as an executive officer of any other entity of which an executive officer of the Company served as a member the board of directors or compensation committee.

**DIRECTOR COMPENSATION**

The following table provides the compensation paid by the Company to non-employee directors during the year ended December 31, 2006.

Name (1)	Fees Earned or			Total (\$)
	Paid in Cash \$(2)	Stock Awards \$(3)	Option Awards \$(4)	
Ramon D. Ardizzone	42,250	21,499	33,030	96,779
Donald S. Bates	39,500	21,499	84,066	145,065
Cliff O. Bickell	43,750	21,499		65,249
Peter W. Gilson	50,000	21,499	84,066	155,565
John J. Hurley	47,667	21,499	84,066	153,232
Horace H. Sibley	41,750	21,499	33,030	96,279
Howard W. Speaks, Jr.	48,500	21,499		69,999

- (1) James Caparro, the Company's President and Chief Executive Officer, and Clarke H. Bailey, the Chairman and former Chief Executive Officer, are not included in this table because they are employees of the Company and thus received no compensation for their service on the Board of Directors. The compensation received by Messrs. Caparro and Bailey as employees of the Company is shown in the Summary Compensation Table on page 17.
- (2) For 2006 non-officer directors received the following fees paid in cash: an annual fee of \$20,000 plus \$1,500 for attendance at in-person meetings, and \$500 for attendance at meetings via telephonic conference call; an annual fee of \$4,000 for Executive Committee participation; an annual fee of \$8,000 for Audit Committee participation; an annual fee of \$5,000 for Compensation and Plan Administration Committee participation; an annual fee of \$3,000 for Governance and Nominating Committee participation; an annual fee of \$8,000 for Special Litigation Committee participation; an annual fee of \$8,000 for each committee chair participation except the Compensation and Plan Administration Committee and Governance and Nominating Committee chair positions which receive \$5,000 and \$3,000, respectively; and an annual fee of \$4,000 for service as the lead independent director. Annual fees are paid ratably on a quarterly basis. Meeting fees are also paid on a quarterly basis.
- (3) On December 16, 2005, the Board of Directors approved increasing the dollar value (from \$9,000 to \$18,000) of the restricted stock units to be awarded to non-officer Directors at each Annual Meeting of the Stockholders.

Consequently, on January 3, 2006, the Company awarded each Director in the table above additional restricted stock units for their service for the period January 1, 2006 to May 31, 2006. Specifically, each Director received a grant of restricted stock units equal to \$3,499 divided by \$3.31, the fair market value of the Company's common stock January 3, 2006. At the 2006 Annual Meeting of Stockholders, each Director in the table above received a number of restricted stock units equal to \$18,000 divided by \$5.48, the fair market value of the Company's common stock on the last trading day immediately preceding the 2006 Annual Meeting of Stockholders. The table above reflects the aggregate grant date fair value of the restricted stock units computed in accordance with Statement of Financial Accounting Standards No. 123R, Share-based Payments ( **SFAS 123R** ). See Note 17 of the Company's financial statements for year ended December 31, 2006 for a discussion of the assumptions underlying the valuation of equity awards. At the end of 2006, the aggregate

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number of outstanding restricted stock units held by each director in the table above was: Mr. Ardizzone 10,546, Mr. Bickell 10,240, Mr. Bates 10,546, Mr. Gilson 10,546, Mr. Hurley 10,546, Mr. Sibley 10,546 and Mr. Speaks 10,546.

- (4) In accordance with resolutions passed by the Board, each non-employee director receives automatic formula-based awards of stock options to purchase 30,000 shares of the Company's common stock upon initial appointment to the Board of Directors and on each third anniversary thereof. During 2006, Messrs. Bates, Gilson and Hurley each received three year anniversary grants of stock options to purchase 30,000 shares of the Company's common stock on April 18, 2006. During 2006, Messrs. Ardizzone and Sibley each received three year anniversary grants of stock options to purchase 30,000 shares of the Company's common stock on August 11, 2006 and September 29, 2006, respectively. On April 18, 2006, August 11, 2006 and September 29, 2006, the Company's stock price was \$5.60, \$2.20 and \$2.20, respectively. All Director stock options grants during 2006 were made pursuant to the Company's 1996 Stock Option Plan. The table above reflects the aggregate grant date fair value of the options computed in accordance with SFAS 123R. See Note 17 of the Company's financial statements for year ended December 31, 2006 for a discussion of the assumptions underlying the valuation of equity awards. At the end of 2006, the aggregate number of outstanding stock options held by each director in the table above was: Mr. Ardizzone 140,000, Mr. Bickell 30,000, Mr. Bates 120,000, Mr. Gilson 120,000, Mr. Hurley 90,000, Mr. Sibley 120,000 and Mr. Speaks 60,000.

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

#### **Executive Compensation Philosophy**

The Compensation philosophy of the Company is to ensure that the Company's various compensation programs are structured in a way that allows the Company to attract and retain a talented employee group and senior management team as well as a Board of Directors.

*Market Data:* Generally, the Company will select specific independent survey data to be used each year to provide consistency of job matches and survey data. The Company will also select specific market data points (Compensation Ratios) to benchmark each target group. These market data points will generally be at the 50th percentile of the market groups, but can be higher or lower depending on the lifecycle stage the company is in.

*Internal Equity:* The Company will strive for internal compensation equity and will differentiate based on factors including experience, performance, and value to the Company.

The Compensation and Plan Administration Committee (the **Committee**) bases its executive compensation programs on the same objectives that guide the Company in establishing all its compensation programs:

Compensation should be based on the level of job responsibility, individual performance, and Company performance. As employees progress to higher levels in the organization, an increasing proportion of their pay should be linked to Company performance and shareholder returns, because they are more able to affect the Company's results.

Compensation should reflect the value of the job in the marketplace. To attract and retain a highly skilled work force, the Company must remain competitive with the pay of other premier employers who compete with the Company for talent.



Compensation should reward performance. Our programs should deliver top-tier compensation given top-tier individual and Company performance; likewise, where individual performance falls short of expectations and/or Company performance lags the industry, the programs should deliver lower-tier compensation. In addition, the objectives of pay-for-performance and retention must be balanced. Even in periods of temporary downturns in Company performance, the programs should continue to ensure that successful, high-achieving employees will remain motivated and committed to the Company.

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Compensation should foster the long-term focus required for success in the relevant industry. While the Company is currently focused on the entertainment and distribution industries, previously it was involved in various aspects of the telecommunications and technology industry, and certain executives were primarily focused on the Company's acquisition strategy. While all employees receive a mix of both annual and longer-term incentives, employees at higher levels have an increasing proportion of their compensation tied to longer-term performance because they are in a position to have greater influence on longer-term results.

To be effective, performance-based compensation programs should enable employees to easily understand how their efforts can affect their pay, both directly through individual performance accomplishments and indirectly through contributing to the Company's achievement of its strategic and operational goals. No matter how elegant a performance measure may be in theory, if in practice employees cannot easily understand how it works or how it relates to their daily jobs, it will not be an effective motivator.

Compensation and benefit programs should be egalitarian. While the programs and individual pay levels will always reflect differences in job responsibilities, geographies, and marketplace considerations, the overall structure of compensation and benefit programs should be broadly similar across the organization.

### **The Committee's Processes**

The Committee has established a number of processes to assist it in ensuring that the Company's executive compensation program is achieving its objectives. Among those are:

*Assessment of Company Performance.* The Committee uses Company performance measures in two ways. First, in establishing total compensation ranges, the Committee considers various measures of Company and industry performance, including sales, earnings per share, net income, EBITDA and other financial measures. The Committee applies a formula primarily based on EBITDA to establish the size of the bonus pool available for payout to officers and other employees.

*Assessment of Individual Performance.* Individual performance has a strong impact on the compensation of all employees, including the CEO and the other executive officers. Once the bonus pool has been established, the Committee receives a performance assessment and compensation recommendation from the CEO and the CFO and also exercises its judgment based on the board's interactions with the executive officer. As with the CEO, the performance evaluation of these executives is based on achievement of pre-agreed objectives by the executive and his or her organization, his or her contribution to the Company's performance, and other leadership accomplishments.

*Total Compensation Review.* The Committee reviews each executive's base pay, bonus, and level of current equity incentives. In addition to these primary compensation elements, the Committee reviews the perquisites and other compensation and payments that would be required under various severance and change-in-control scenarios. Following the 2006 review, the Committee determined that these elements of compensation were reasonable in the aggregate.

In addition to the processes described above, the compensation of those of the Company's executive officers who joined the Company in connection with the EDC acquisition was structured as part of the terms of the EDC acquisition through the negotiation of employment agreements and other arrangements relating to ownership of the EDC subsidiary, as further described below. While the Committee's compensation objectives and processes were taken into account during these negotiations, the overall goals of the acquisition and post-closing integration of the EDC business with the Company's existing operations were taken into consideration as well.

### **Components of Executive Compensation for 2006**

For 2006, the compensation of executives contained the same primary components as were provided to other levels of management base salary and a cash bonus award. No performance-based long term incentive compensation (stock options) was awarded to executive officers during 2006 with two exceptions. As has previously been disclosed, Mr.