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

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended October 1, 2010

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number 001-33278

AVIAT NETWORKS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**20-5961564**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5200 Great American Parkway Santa Clara, California	**95054**
(Address of principal executive offices)	(Zip Code)

(408) 567-7000
(Registrant's telephone number, including area code)

No changes
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

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

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

The number of shares outstanding of the registrant's Common Stock as of November 4, 2010 was 59,718,344 shares.

AVIAT NETWORKS, INC.

FORM 10-Q

For the Quarter Ended October 2, 2009

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AVIAT NETWORKS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Quarter Ended	
	October 1, 2010	October 2, 2009
	(In millions, except per share amounts)	
Revenue from product sales and services:		
Revenue from product sales	$ 84.9	$ 84.9
Revenue from services	24.2	35.1
Total revenue	109.1	120.0
Cost of product sales and services:		
Cost of product sales	(68.0)	(53.2)
Cost of services	(16.7)	(27.0)
Amortization of purchased technology	(0.2)	(2.1)
Total cost of product sales and services	(84.9)	(82.3)
Gross margin	24.2	37.7
Research and development expenses	(11.1)	(10.7)
Selling and administrative expenses	(29.2)	(30.8)
Total research, development, selling and administrative expenses	(40.3)	(41.5)
Amortization of identifiable intangible assets	(0.7)	(1.5)
Restructuring charges	(5.6)	(1.1)
Operating loss	(22.4)	(6.4)
Loss on sale of NetBoss assets	(3.9)	—
Interest income	0.1	—
Interest expense	(0.6)	(0.5)
Loss before provision for income taxes	(26.8)	(6.9)
Benefit from (provision for) income taxes	5.5	(0.9)
Net loss	$ (21.3)	$ (7.8)
Net loss per common share of Common Stock		
Basic	$ (0.36)	$ (0.13)
Diluted	$ (0.36)	$ (0.13)
Basic and diluted weighted average shares outstanding	59.3	58.9

See accompanying Notes to Condensed Consolidated Financial Statements.

AVIAT NETWORKS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In millions, except share amounts)	October 1, 2010	July 2, 2010
Assets		
Current Assets		
Cash and cash equivalents	$ 107.8	$ 141.7
Receivables	120.5	104.8
Unbilled costs	27.5	30.2
Inventories	68.8	73.5
Other current assets	24.3	22.3
Total current assets	348.9	372.5
Long-Term Assets		
Property, plant and equipment, net	36.7	37.6
Goodwill	6.2	6.2
Identifiable intangible assets, net	6.6	7.5
Deferred income taxes	14.8	13.1
Other assets	2.3	10.1
Total long-term assets	66.6	74.5
Total assets	$ 415.5	$ 447.0
Liabilities and Stockholders' Equity		
Current Liabilities		
Short-term debt	$ 6.0	$ 5.0
Accounts payable	53.4	58.6
Accrued compensation and benefits	11.6	14.5
Other accrued expenses	45.7	45.3
Advance payments and unearned income	31.6	37.2
Restructuring liabilities	7.2	6.0
Total Current Liabilities	155.5	166.6
Long-Term Liabilities		
Restructuring and other long-term liabilities	3.2	2.7
Redeemable preference shares	8.3	8.3
Reserve for uncertain tax positions	5.6	5.6
Deferred income taxes	0.6	0.6
Total Liabilities	173.2	183.8
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, $0.01 par value; 50,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value; 300,000,000 shares authorized; issued and outstanding 59,327,974 shares as of October 1, 2010 and 59,400,059 shares as of July 2, 2010	0.6	0.6
Additional paid-in-capital	787.3	786.5
Accumulated deficit	(542.6)	(521.3)
Accumulated other comprehensive loss	(3.0)	(2.6)
Total Stockholders' Equity	242.3	263.2
Total Liabilities And Stockholders' Equity	$ 415.5	$ 447.0

See accompanying Notes to Condensed Consolidated Financial Statements.

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AVIAT NETWORKS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

	Quarter Ended	
	October 1, 2010	October 2, 2009
	(In millions)	
Operating Activities		
Net loss	$ (21.3)	$ (7.8)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization of identifiable intangible assets	0.9	3.7
Depreciation and amortization of property, plant and equipment and capitalized software	3.6	6.0
Non-cash share-based compensation expense	0.8	1.0
Deferred income tax (benefit) expense	(1.7)	0.4
Loss on sale of NetBoss assets	3.9	—
Changes in operating assets and liabilities:		
Receivables	(12.5)	28.8
Unbilled costs and inventories	4.3	(1.9)
Accounts payable and accrued expenses	(5.2)	(13.4)
Advance payments and unearned income	(5.7)	(7.2)
Restructuring liabilities and other	(3.9)	(5.2)
Net cash (used in) provided by operating activities	(36.8)	4.4
Investing Activities		
Cash received from sale of NetBoss assets	3.8	—
Cash paid related to acquisition of Telsima in prior fiscal year	—	(4.2)
Sales and maturities of short-term investments	—	0.3
Additions of property, plant and equipment	(2.0)	(3.9)
Additions of capitalized software	(0.3)	(0.9)
Net cash provided by (used in) investing activities	1.5	(8.7)
Financing Activities		
Proceeds from short-term debt arrangement	6.0	—
Payments on short-term debt arrangement	(5.0)	—
Net cash provided by financing activities	1.0	—
Effect of exchange rate changes on cash and cash equivalents	0.4	0.5
Net decrease in cash and cash equivalents	(33.9)	(3.8)
Cash and cash equivalents, beginning of year	141.7	136.8
Cash and cash equivalents, end of quarter	$ 107.8	$ 133.0

See accompanying Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
October 1, 2010
(Unaudited)

Note A — Basis of Presentation and Nature of Operations

The accompanying condensed consolidated financial statements of Aviat Networks, Inc. and its subsidiaries ("we," "us," and "our") have been prepared by us, without an audit, in accordance with U.S. generally accepted accounting principles for interim financial information and with the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all information and footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with U.S. generally accepted accounting principles. In the opinion of management, such interim financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of financial position, results of operations and cash flows for such periods.

The results for the quarter ended October 1, 2010 (the "first quarter of fiscal 2011") are not necessarily indicative of the results that may be expected for the full fiscal year or any subsequent period. The balance sheet as of July 2, 2010 has been derived from the audited financial statements but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for annual financial statements. We provide complete financial statements in our Annual Report on Form 10-K, which includes information and footnotes required by the rules and regulations of the SEC. The information included in this Quarterly Report on Form 10-Q (this "Report") should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations, and the Consolidated Financial Statements and accompanying Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended July 2, 2010 ("Fiscal 2010 Form 10-K").

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates and assumptions.

Nature of Operations — We design, manufacture and sell a range of wireless networking products, solutions and services to mobile and fixed telephone service providers, private network operators, government agencies, transportation and utility companies, public safety agencies and broadcast system operators across the globe. Our products include both point-to-point (PTP) and point-to-multipoint (PMP) digital microwave transmission systems designed for first/last mile access, middle mile/backhaul and long distance trunking applications. Our PMP product portfolio includes base stations and subscriber equipment based upon the IEEE 802.16d-2004 and 16e-2005 standards for fixed and mobile Worldwide Interoperability for Microwave Access (WiMAX). We also provide network management software solutions to enable operators to deploy, monitor and manage our systems, third party equipment such as antennas, routers and multiplexers to build and deploy a wireless transmission network and a full suite of turnkey support services.

Note B — New Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (the "FASB") or other standards setting bodies that are adopted by us as of the specified effective date. Unless otherwise discussed, we believe the impact of recently issued standards that are not yet effective will not have a material impact on our consolidated financial position, results of operations and cash flows upon adoption.

Note C — Accumulated Other Comprehensive Loss and Comprehensive Loss

The changes in components of our accumulated other comprehensive loss during the first quarter of fiscal 2011 and 2010 were as follows:

	Foreign Currency Translation	Hedging Derivatives	Total Accumulated Other Comprehensive (Loss) Income
		(In millions)	
Balance as of July 2, 2010	$ (2.9)	$ 0.3	$ (2.6)
Foreign currency translation gain	0.1	—	0.1
Net unrealized loss on hedging activities	—	(0.5)	(0.5)
Balance as of October 1, 2010	$ (2.8)	$ (0.2)	$ (3.0)
Balance as of July 3, 2009	$ (4.4)	$ (0.4)	$ (4.8)
Foreign currency translation gain	1.4	—	1.4
Net unrealized loss on hedging activities	—	(0.3)	(0.3)
Balance as of October 2, 2009	$ (3.0)	$ (0.7)	$ (3.7)

Total comprehensive loss for the first quarter of fiscal 2011 and 2010 was comprised of the following:

	Quarter Ended	
	October 1, 2010	October 2, 2009
	(In millions)	
Net loss	$ (21.3)	$ (7.8)
Other comprehensive income (loss):		
Foreign currency translation gain	0.1	1.4
Net unrealized loss on hedging activities	(0.5)	(0.3)
Total comprehensive loss	$ (21.7)	$ (6.7)

Note D — Receivables

Our receivables are summarized below:

	October 1, 2010	July 2, 2010
	(In millions)	
Accounts receivable	$ 131.4	$ 113.6
Notes receivable due within one year	4.2	4.5
	135.6	118.1
Less allowances for collection losses	(15.1)	(13.3)
	$ 120.5	$ 104.8

To comply with requests from our customers for payment terms, we often accept letters of credit with payment terms of up to one year or more, which we then discount with various financial institutions. Under these arrangements, collection risk is fully transferred to the financial institutions. We record the cost of discounting these letters of credit as interest expense. During the first quarter of fiscal 2011 and 2010 we discounted customer letters of credit totaling $4.3 million and $20.8 million and recorded related interest expense of $0.1 million and $0.2 million.

Note E — Inventories

Our inventories are summarized below:

	October 1, 2010	July 2, 2010
	(In millions)	
Finished products	$ 55.1	$ 60.4
Work in process	8.0	8.0
Raw materials and supplies	5.7	5.1
	$ 68.8	$ 73.5

Prior to fiscal 2011, we capitalized most of the costs associated with our internal manufacturing operations as a component of the overall cost of product inventory. Beginning in the first quarter of fiscal 2011, the production of all our products is outsourced to contract manufacturers and we no longer manufacture products internally. Accordingly, the costs associated with our internal operations organization are now expensed as incurred. Gross margin in the first quarter of fiscal 2011 was negatively impacted by the immediate expensing of $6.0 million of such costs.

Note F — Property, Plant and Equipment

Our property, plant and equipment are summarized below:

	October 1, 2010	July 2, 2010
	(In millions)	
Land	$ 0.7	$ 0.7
Buildings	9.3	9.8
Software developed for internal use	6.7	6.7
Machinery and equipment	95.3	94.1
	112.0	111.3
Less accumulated depreciation and amortization	(75.3)	(73.7)
	$ 36.7	$ 37.6

Depreciation and amortization expense related to property, plant and equipment, including amortization of software developed for internal use, was $3.6 million and $5.3 million during the quarters ended October 1, 2010 and October 2, 2009.

Note G — Credit Facility and Debt

Our outstanding debt consisted of short-term debt of $6.0 million as of October 1, 2010 and $5.0 million as of July 2, 2010.

As of October 1, 2010, we terminated our previous credit facility with two commercial banks and entered into a new $40.0 million credit facility with Silicon Valley Bank for a term of one year expiring on September 30, 2011. The outstanding debt of $5.0 million under the previous credit facility was repaid on October 1, 2010 with the proceeds of a new loan under the new facility in the amount of $6.0 million.

Our new credit facility provides for a committed amount of $40 million. The facility provides for (1) demand borrowings (with no stated maturity date), (2) fixed term Eurodollar loans for up to six months and (3) the issuance of standby or commercial letters of credit.

Demand borrowings carry an interest rate computed at the daily prime rate as published in the *Wall Street Journal*. Interest on our Eurodollar loans is computed at LIBOR plus a spread of between 2.00% to 2.75% based on our current leverage ratio. The interest rate on Eurodollar loans was set initially at a spread of 2.75% for the fiscal quarter ending October 1, 2010 and is adjustable quarterly thereafter based on the computed actual leverage ratio for the most recently completed fiscal quarter.

Available credit as of October 1, 2010 was $24.4 million reflecting borrowings of $6.0 million and outstanding letters of credit of $9.6 million. The weighted average interest rate on our short-term borrowings was 3.25% as of October 1, 2010.

Standby letters of credit includes a standby letter of credit issued in the amount of $2.3 million covering $2.1 million in standby letters of credit outstanding under the previous credit facility at the time of termination of that facility on October 1, 2010. The amount of this supporting letter of credit may be amended at any time to exclude the letters of credit issued under the previous facility as they expire.

Note H — Accrued Warranties

Changes in our warranty liability, which is included as a component of "Other accrued expenses" on the Condensed Consolidated Balance Sheets, during the first quarter of fiscal 2010 and 2009 are as follows:

	Quarter Ended	
	October 1, 2010	October 2, 2009
	(In millions)	
Balance as of the beginning of the fiscal year	$ 3.2	$ 5.5
Warranty provision for revenue recorded during the first quarter	0.2	0.7
Settlements made during the first quarter	(0.3)	(0.9)
Balance as of the end of the first quarter	$ 3.1	$ 5.3

Note I — Restructuring Activities

We have two ongoing restructuring plans.

During the first quarter of fiscal 2011, we implemented a new restructuring plan to reduce our operational costs (the "Fiscal 2011 Plan"). The Fiscal 2011 Plan is intended bring our cost structure in line with the changing dynamics of the worldwide microwave radio and telecommunication markets, primarily in North America, Europe and Asia. During the first quarter of fiscal 2011, our restructuring charges from the Fiscal 2011 Plan totaled $4.7 million and consisted of the following items:

- Severance, retention and related charges totaling $2.5 million from reduction in force activities for the closing of the Morrisville, North Carolina office.
- Severance, retention and related charges totaling $1.4 million from reduction in force activities resulting from sale of the NetBoss assets.
- Severance, retention and related charges totaling $0.8 million from reduction in force activities of a portion of global sales personnel.

In addition, during the first quarter of fiscal 2011, we continued restructuring activities that commenced during fiscal 2009 to reduce our workforce in the U.S., France, Canada and other locations throughout the world (the "Fiscal 2009 Plan"). These activities primarily consisted of outsourcing our San Antonio manufacturing operations to a third party in Austin, Texas. During the first quarter of fiscal 2011, our restructuring charges from the Fiscal 2009 Plan totaled $0.9 million and consisted of the following items:

- Severance, retention and related charges totaling $0.8 million for reduction in force activities.
- Charges totaling $0.1 million for facility lease obligation adjustments.

During the first quarter of fiscal 2010, we continued executing our Fiscal 2009 Plan to reduce our workforce in the U.S., France, Canada and other locations throughout the world. During the first quarter of fiscal 2010, our restructuring charges totaled $1.1 million and consisted of the following items:

- Severance, retention and related charges totaling $0.9 million from reduction in force activities.
- Charges totaling $0.2 million related to the relocation of U.S. employees to North Carolina from Florida.

The information in the following table summarizes our restructuring activity during the quarter ended October 1, 2010 and the remaining restructuring liability as of October 1, 2010.

	Severance and Benefits	Facilities and Other	Total
		(In millions)	
Restructuring liability as of July 2, 2010	$ 2.2	$ 4.2	$ 6.4
Provision in the quarter (Fiscal 2011 Plan)	4.7	—	4.7
Provision in the quarter (Fiscal 2009 Plan)	0.8	0.1	0.9
Cash payments in the quarter	(2.9)	(1.7)	(4.6)
Restructuring liability as of October 1, 2010	$ 4.8	$ 2.6	$ 7.4
Current portion of restructuring liability as of October 1, 2010	$ 4.7	$ 2.5	7.2
Long-term portion of restructuring liability as of October 1, 2010	0.1	0.1	0.2
Total restructuring liability as of October 1, 2010	$ 4.8	$ 2.6	$ 7.4

The following table summarizes our costs incurred through October 1, 2010 and costs expected to be incurred for our Fiscal 2011 Plan:

	Total Costs Incurred During The Quarter Ended October 1, 2010	Cumulative Costs Incurred through October 1, 2010	Estimated Additional Costs to be Incurred	Total Restructuring Costs Expected to be Incurred
		(In millions)		
North America:				
Severance and benefits	$ 3.9	$ 3.9	$ 4.8	$ 8.7
Facilities and other	—	—	3.2	3.2
Total North America	$ 3.9	$ 3.9	$ 8.0	$ 11.9
International:				
Severance and benefits	$ 0.8	$ 0.8	$ 1.2	$ 2.0
Facilities and other	—	—	0.3	0.3
Total International	$ 0.8	$ 0.8	$ 1.5	$ 2.3
Totals for Fiscal 2011 Plan	$ 4.7	$ 4.7	$ 9.5	$ 14.2

Our Fiscal 2011 Plan is underway with the costs shown above incurred during the first quarter of fiscal 2011. We expect to incur further costs to complete the consolidation of our finance function at our California headquarters and to reallocate research and development resources between our facilities in the United States, Slovenia, New Zealand and India.

The following table summarizes our costs incurred through October 1, 2010 and costs expected to be incurred for our Fiscal 2009 Plan:

	Total Costs Incurred During The Quarter Ended October 1, 2010	Cumulative Costs Incurred through October 1, 2010	Estimated Additional Costs to be Incurred	Total Restructuring Costs Expected to be Incurred
	(In millions)			
North America:				
Severance and benefits	$ 0.8	$ 8.5	$ 3.3	$ 11.8
Facilities and other	0.1	3.1	1.1	4.2
Total North America	$ 0.9	$ 11.6	$ 4.4	$ 16.0
International:				
Severance and benefits	$ —	$ 4.9	$ 1.0	$ 5.9
Facilities and other	—	0.2	—	0.2
Total International	$ 0.0	$ 5.1	$ 1.0	$ 6.1
Totals for Fiscal 2009 Plan	$ 0.9	$ 16.7	$ 5.4	$ 22.1

Our Fiscal 2009 Plan to restructure and transition our North America manufacturing operations and general restructuring of our supply chain will be completed by the end of fiscal 2011.

Note J — Share-Based Compensation

Compensation expense for share-based awards was $0.8 million and $1.1 million for the first quarter of fiscal 2011 and 2010. Amounts were included in our Condensed Consolidated Statements of Operations as follows:

	Quarter Ended	
	October 1, 2010	October 2, 2009
	(In millions)	
Cost of product sales and services	$ 0.1	$ 0.1
Research and development expenses	0.2	0.1
Selling and administrative expenses	0.5	0.9
Total compensation expense	$ 0.8	$ 1.1

During the first quarter of fiscal 2010, we awarded options for the purchase of 14,247 shares of our common stock and 7,133 performance shares to one employee and 6,780 shares of restricted stock to a non-employee director (none during the first quarter of fiscal 2011).

Note K — Major Customer and Business Segments

During the first quarter of fiscal 2011, none of our customers accounted for 10% or more of revenue. During the first quarter of fiscal 2010, the MTN group in Africa (“MTN”) and Middle East Telecommunications Company (“METCO”) each accounted for 12% of our total revenue (two customers accounted for 24% of our total revenue).

Revenue and loss before income taxes by segment are as follows:

	Quarter Ended October 1, 2010	Quarter Ended October 2, 2009
	(In millions)	
Revenue		
North America	$ 35.6	$ 48.0
International	73.5	72.0
Total Revenue	$ 109.1	$ 120.0
Loss Before Income Taxes		
Segment Operating Loss:		
North America (1)	$ (13.6)	$ (3.2)
International (2)	(12.7)	(3.2)
Net interest expense	(0.5)	(0.5)
Loss before provision for income taxes	$ (26.8)	$ (6.9)

(1) During the first quarter of fiscal 2011 in our North America segment, we recorded $4.8 million for restructuring charges, $3.9 million from the loss on sale of NetBoss assets and $0.7 million for share-based compensation.

During the first quarter of fiscal 2010 in our North America segment, we recorded $0.8 million for restructuring charges and $1.0 million for share-based compensation.

(2) During the first quarter of fiscal 2011 in our International segment, we recorded $0.8 million for restructuring charges and $0.1 million for share-based compensation.

During the first quarter of fiscal 2010 in our International segment, we recorded $0.3 million for restructuring charges and $0.1 million for share-based compensation.

Note L — Income Taxes

The determination of benefit for income taxes for the first quarter of fiscal 2011 of $5.5 million and provision for income taxes for the first quarter of 2010 of $0.9 million was primarily based on our estimated annual effective tax rate adjusted for losses in separate jurisdictions for which no tax benefit can be recognized. The current quarter also incorporates an income tax benefit of $1.9 million associated with the expiring favorable tax ruling granted by the Singapore Economic Development Board which increases the tax rate applied to established local country deferred tax assets. The determination of first quarter fiscal 2011 income tax benefit and first quarter fiscal 2010 tax provision reflected tax benefit and expense generated in certain foreign jurisdictions.

Our effective tax rate varies from the U.S. federal statutory rate of 35% due to results of foreign operations that are subject to income taxes at different statutory rates and certain jurisdictions where we cannot recognize tax benefits on current losses.

As of July 2, 2010 and October 1, 2010, we had a liability for unrecognized tax benefits of $14.9 million for various federal, foreign, and state income tax matters. During the first quarter of fiscal 2011, the liability for unrecognized tax benefits did not change. If the unrecognized tax benefits associated with these positions are ultimately recognized, they would not be expected to have a material impact on our effective tax rate or financial position.

We account for interest and penalties related to unrecognized tax benefits as part of our provision for federal, foreign, and state income taxes. We accrued an additional amount for such interest of less than $0.1 million during the first quarter of fiscal 2011 and 2010. No penalties have been accrued on any of the unrecognized tax benefits.

We expect that the amount of unrecognized tax benefit may change in the next year; however, it is not expected to have a significant impact on our results of operations, financial position or cash flows.

We have a number of years with open tax audits which vary from jurisdiction to jurisdiction. Our major tax jurisdictions include the U.S., Singapore, Poland, Nigeria, France and the U.K. The earliest years still open and subject to potential audits for these jurisdictions are as follows: United States — 2003; Singapore — 2006; Poland — 2004; Nigeria — 2004; France — 2006; and U.K - 2006. As of October 1, 2010, we are under audit by the U.S. Internal Revenue Service.

Note M — Fair Value Measurements of Assets and Liabilities

We determine fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal market (or most advantageous market, in the absence of a principal market) for the asset or liability in an orderly transaction between market participants as of the measurement date. We try to maximize the use of observable inputs and minimize the use of unobservable inputs in measuring fair value and establish a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2 — Observable market-based inputs or observable inputs that are corroborated by market data;
- Level 3 — Unobservable inputs reflecting our own assumptions.

The carrying amounts, estimated fair values and valuation input levels of our financial assets and financial liabilities as of October 1, 2010 and July 2, 2010 are as follows:

	October 1, 2010		July 2, 2010		
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Valuation Inputs
			(In millions)		
Financial Assets:					
Cash	$ 70.5	$ 70.5	$ 60.4	$ 60.4	Level 1
Cash equivalents	$ 37.3	$ 37.3	$ 81.3	$ 81.3	Level 1
Foreign exchange forward contracts	$ 0.1	$ 0.1	$ 0.1	$ 0.1	Level 2
Financial Liabilities:					
Short-term debt	$ 6.0	$ 6.0	$ 5.0	$ 5.0	Level 2
Redeemable preference shares	$ 8.3	$ 8.3	$ 8.3	$ 8.3	Level 3
Foreign exchange forward contracts	$ 0.2	$ 0.2	$ 0.1	$ 0.1	Level 2

Our cash equivalents consist primarily of shares in prime money market funds purchased from two major financial institutions. As of October 1, 2010 and July 2, 2010, these money market shares were valued at $1.00 net asset value per share by these financial institutions.

Foreign currency forward contracts are valued using an income approach for the remaining term of the contract based on forward market rates less the contract rate multiplied by the notional amount.

The amortized cost of short-term debt approximates fair value due to the variable interest rate under the arrangement applicable to such debt.

We have valued our redeemable preference shares at face value as of October 1, 2010 and July 2, 2010 due to the existence of a put option one of the holders has with our former majority shareholder Harris, our current intent not to redeem these shares before their stated termination date and the non-existence of a market for comparable financial instruments.

Note N — Risk Management, Derivative Financial Instruments and Hedging Activities

We are exposed to global market risks, including the effect of changes in foreign currency exchange rates, and use derivatives to manage financial exposures that occur in the normal course of business. We do not hold or issue derivatives for trading purposes or make speculative investments in foreign currencies.

We formally document all relationships between hedging instruments and hedged items, as well as the risk-management objective and strategy for undertaking hedge transactions. This process includes linking all derivatives to either specific firm commitments or forecasted transactions. We also enter into foreign exchange forward contracts to mitigate the change in fair value of specific assets and liabilities on the balance sheet; these are not designated as hedging instruments. Accordingly, changes in the fair value of hedges of recorded balance sheet positions are recognized immediately in cost of product sales on the consolidated statements of operations together with the transaction gain or loss from the hedged balance sheet position.

Substantially all derivatives outstanding as of October 1, 2010 are designated as cash flow hedges or non-designated hedges of recorded balance sheet positions. All derivatives are recognized on the balance sheet at their fair value. The total notional amount of outstanding derivatives as of October 1, 2010 was $46.2 million, of which $10.2 million were designated as cash flow hedges and $36.0 million were not designated as cash flow hedging instruments.

As of October 1, 2010, we had 45 foreign currency forward contracts outstanding with a total net notional amount of $22.3 million consisting of 12 different currencies, primarily the Canadian dollar, Philippine peso, Polish zloty, Singapore dollar and Republic of South Africa rand.

The following is a summary by currency of the contract net notional amounts grouped by the underlying foreign currency as of October 1, 2010:

		Contract Amount (Local Currency) (In millions)	Contract Amount (USD)
Canadian dollar ("CAD") net contracts to receive (pay) USD	(CAD)	5.7	$ 5.5
Philippine peso ("PHP") net contracts to receive (pay) USD	(PHP)	(138.7)	$ (3.2)
Polish zloty ("PLN") net contracts to receive (pay) USD	(PLN)	27.1	$ 9.0
Singapore dollar ("SGD") net contracts to receive (pay) USD	(SGD)	4.5	$ 3.4
Republic of South Africa rand ("ZAR") net contracts to receive (pay) USD	(ZAR)	43.0	$ 6.1
All other currencies net contracts to receive (pay) USD			$ 1.5
Total of all currencies			$ 22.3

The following table presents the fair value of derivative instruments included within our Consolidated Balance Sheet as of October 1, 2010.

	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	(In millions)			
Derivatives designated as hedging instruments:				
Foreign exchange forward contracts	Other current assets	$ 0.1	Other current liabilities	$ 0.2
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts	Other current assets	—	Other current liabilities	—
Total derivatives		$ 0.1		$ 0.2

The following table presents the amounts of gains (losses) from cash flow hedges recorded in Other Comprehensive (Loss) Income, the amounts transferred from Other Comprehensive (Loss) Income and recorded in Revenue and Cost of Products Sold, and the amounts associated with excluded time value and hedge ineffectiveness during the first quarter of fiscal 2010 and 2009:

Locations of Losses Recorded From Derivatives Designated as Cash Flow Hedges	Quarter Ended October 1, 2010	Quarter Ended October 2, 2009
	(In millions)	
Amount of loss of effective hedges recognized in Other Comprehensive Income	$ (0.3)	$ (0.2)
Amount of loss of effective hedges reclassified from Other Comprehensive Income into:		
Revenue	$ (0.2)	$ —
Cost of Products Sold	$ (0.1)	$ (0.1)
Amount recorded into Cost of Products Sold associated with excluded time value	$ —	$ —
Amount recorded into Cost of Products Sold due to hedge ineffectiveness	$ —	$ —

Cash Flow Hedges

The purpose of our foreign currency hedging activities is to protect us from the risk that the eventual cash flows resulting from transactions in foreign currencies, including revenue, product costs, selling and administrative expenses and intercompany transactions will be adversely affected by changes in exchange rates. It is our policy to utilize derivatives to reduce foreign currency exchange risks where internal netting strategies cannot be effectively employed. As of October 1, 2010, hedged transactions included our customer and intercompany backlog and outstanding purchase commitments denominated primarily in the Canadian dollar, Euro, Philippine peso, Polish zloty, Singapore dollar and Republic of South Africa rand. We hedge up to 100% of anticipated exposures typically one to three months in advance, but have hedged as much as six months in advance. We generally review our exposures twice each month and adjust the amount of derivatives outstanding as needed.

A derivative designated as a hedge of a forecasted transaction is carried at fair value with the effective portion of the derivative's fair value recorded in other comprehensive income or loss and subsequently recognized in earnings in the same period or periods the hedged transaction affects earnings. Any ineffective or excluded portion of a derivative's gain or loss is recorded in earnings as it occurs. In some cases, amounts recorded in other comprehensive income or loss will be released to net income or loss some time after the maturity of the related derivative. The consolidated statement of income classification of effective hedge results is the same as that of the underlying exposure. For example, results of hedges of revenue and product costs are recorded in revenue and cost of product sales, respectively, when the underlying hedged transaction is recorded.

As of October 1, 2010, we had $0.2 million of deferred net losses on both outstanding and matured derivatives accumulated in other comprehensive loss that are expected to be reclassified to net income or loss during the next twelve months as a result of underlying hedged transactions also being recorded in net income or loss. Actual amounts ultimately reclassified to loss will be dependent on the exchange rates in effect when derivative contracts that are currently outstanding mature. As of October 1, 2010, the maximum term over which we are hedging our cash flow exposures is five months.

We formally assess both at inception and on an ongoing basis, whether the derivatives that are used in the hedging transaction have been highly effective in offsetting changes in the value or cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. We discontinue hedge accounting when the derivative expires or is sold, terminated, or exercised or it is no longer probable that the forecasted transaction will occur. When it is determined that a derivative is not, or has ceased to be, highly effective as a hedge, we discontinue hedge accounting and re-designate the hedge as a non-designated hedge, if it is still outstanding at the time the determination is made.

When we discontinue hedge accounting because it is no longer probable that the forecasted transaction will occur in the originally expected period, the gain or loss on the derivative remains in accumulated other comprehensive income or loss and is reclassified to net income or loss when the forecasted transaction affects net income or loss. However, if it is probable that a forecasted transaction will not occur by the end of the originally specified time period or within an additional two-month period of time thereafter, the gains and losses that were accumulated in other comprehensive income or loss will be recognized immediately in net income or loss. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, we will carry the derivative at its fair value on the balance sheet, recognizing future changes in the fair value in cost of product sales.

Non-Designated Hedges

The total notional amount of outstanding derivatives as of October 1, 2010 not designated as cash flow hedging instruments was $36.0 million. The purpose of these hedges is to offset realized and unrealized foreign exchange gains and losses recorded on non-functional currency monetary assets and liabilities, including primarily cash balances and accounts receivable and accounts payable from third party and intercompany transactions recorded on the balance sheet. Since these gains and losses are considered by us to be operational in nature, we record both the gains and losses from the revaluation of the balance sheet transactions and the gains and losses on the derivatives in cost of products sold.

During the first quarter of fiscal 2011 and 2010, we recorded in cost of products sold the following amount of net losses recorded on non-designated hedges as follows:

	First Quarter of Fiscal 2011	First Quarter of Fiscal 2010	Location of Gain (Loss) Recognized in Income on Derivatives
	(In millions)		
Derivatives not designated as hedging instruments:			
Losses on foreign exchange forward contracts	**$ (0.9)**	**$ (1.9)**	Cost of products sold

Credit Risk

We are exposed to credit-related losses in the event of non-performance by counterparties to hedging instruments. The counterparties to all derivative transactions are major financial institutions with investment grade credit ratings. However, this does not eliminate our exposure to credit risk with these institutions. Should any of these counterparties fail to perform as contracted, we could incur interest charges and unanticipated gains or losses on the settlement of the derivatives in addition to the recorded fair value of the derivative due to non-delivery of the currency. To manage this risk, we have established strict counterparty credit guidelines and maintain credit relationships with several financial institutions providing foreign currency exchange services in accordance with corporate policy. As a result of the above considerations, we consider the risk of counterparty default to be immaterial.

We have informal credit facilities with several commercial banks under which we transact foreign exchange transactions. These facilities are generally restricted to a total notional amount outstanding, a maximum settlement amount in any one day and a maximum term. There are no written agreements supporting these facilities with the exception of one bank which provided us with their general terms and conditions for trading that we acknowledged. None of the facilities are collateralized and none require compliance with financial covenants or contain cross default or other provisions which could affect other credit arrangements we have with the same or other banks. If we fail to deliver currencies as required upon settlement of a trade, the bank may require early settlement on a net basis of all derivatives outstanding and if any amounts are still owing to the bank, they may charge any cash account we have with the bank for that amount.

Note O — Net Loss per Share of Common Stock

We compute net loss per share of common stock using the two-class method. Basic net loss per share is computed using the weighted average number of common shares outstanding and unvested share-based payment awards that contain rights to receive non-forfeitable dividends or dividend equivalents (whether paid or unpaid) during the period. Such unvested share-based payment awards are considered to be participating securities.

During the first quarter of fiscal 2011 and 2010, we recorded a net loss, so the potential dilution from the assumed exercise of our stock options is anti-dilutive. Accordingly, our basic and diluted net loss per common share amounts are the same.

Note P — Legal Proceedings

We and certain of our current and former executive officers and directors were named in a federal securities class action complaint filed on September 15, 2008 in the United States District Court for the District of Delaware by plaintiff Norfolk County Retirement System on behalf of an alleged class of purchasers of our securities from January 29, 2007 to July 30, 2008, including shareholders of Stratex Networks, Inc. who exchanged shares of Stratex Networks, Inc. for our shares as part of the merger between Stratex Networks and the Microwave Communications Division of Harris Corporation. This action relates to the restatement of our prior financial statements as discussed in our fiscal 2008 Annual Report on Form 10-K filed with the Securities and Exchange Commission on September 25, 2008. Similar complaints were filed in the United States District Court of Delaware on October 6 and October 30, 2008. Each complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, as well as violations of Sections 11 and 15 of the Securities Act of 1933 and seeks, among other relief, determinations that the action is a proper class action, unspecified compensatory damages and reasonable attorneys' fees and costs. The actions were consolidated on June 5, 2009 and a consolidated class action complaint was filed on July 29, 2009. On July 27, 2010, the Court denied the motions to dismiss that we and the officer and director defendants had filed. We believe that we have meritorious defenses and intend to defend ourselves vigorously.

On February 8, 2007, a court order was entered against Stratex do Brasil, a subsidiary of Aviat U.S., Inc. (formerly Harris Stratex Networks Operating Corporation), in Brazil, to enforce performance of an alleged agreement between the former Stratex Networks, Inc. entity and a supplier. We have not determined what, if any, liability this may result in, as the court did not award any damages.

We have appealed the decision to enforce the alleged agreement, and do not expect this litigation to have a material adverse effect on our business, operating results or financial condition.

From time to time, we may be involved in various legal claims and litigation that arise in the normal course of our operations. While the results of such claims and litigation cannot be predicted with certainty, we currently believe that we are not a party to any litigation the final outcome of which is likely to have a material adverse effect on our financial position, results of operations or cash flows. However, should we not prevail in any such litigation; it could have a material adverse impact on our operating results, cash flows or financial position.

Note Q — Loss on Sale of NetBoss Assets

On September 7, 2010, we sold our NetBoss assets consisting of intellectual property and certain equipment to a third party named NetBoss Technologies, Inc. and recognized a $3.9 million loss in our Condensed Consolidated Statement of Operations during the first quarter of fiscal 2011. NetBoss Technologies Inc. is a new company formed by its management team, our former development partner for NetBoss, and private investors. As part of the terms of the sale, we will assign our customer contracts for NetBoss software and maintenance to NetBoss Technologies, Inc. We will continue to license NetBoss to operate our Network Operations Centers.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Quarterly Report on Form 10-Q, including "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they do not materialize or prove correct, could cause our results to differ materially from those expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including statements of, about, concerning or regarding: our plans, strategies and objectives for future operations; our research and development efforts and new product releases and services; trends in revenue; drivers of our business and the markets in which we operate; future economic conditions, performance or outlook and changes in our industry and the markets we serve; the outcome of contingencies; the value of our contract awards; beliefs or expectations; the sufficiency of our cash and our capital needs and expenditures; our intellectual property protection; our compliance with regulatory requirements and the associated expenses; expectations regarding litigation; our intention not to pay cash dividends; seasonality of our business; the impact of foreign exchange and inflation; taxes; and assumptions underlying any of the foregoing. Forward-looking statements may be identified by the use of forward-looking terminology, such as "anticipates," "believes," "expects," "may," "should," "would," "will," "intends," "plans," "estimates," "strategy," "anticipates," "projects," "targets," "goals," "seeing," "delivering," "continues," "forecasts," "future," "predict," "might," "could," "potential," or the negative of these terms, and similar words or expressions.

These forward-looking statements are based on estimates reflecting the current beliefs of the senior management of Aviat Networks. These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Forward-looking statements should therefore be considered in light of various important factors, including those set forth in this document. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include the following:

- *continued price erosion as a result of increased competition in the microwave transmission industry;*
- *the impact of the volume, timing and customer, product and geographic mix of our product orders may have an impact on our operating results;*
- *our ability to maintain projected product rollouts, product functionality, anticipated cost reductions or market acceptance of planned products;*
- *the ability of our subcontractors to perform or our key suppliers to manufacture or deliver material*
- *continued weakness in the global economy affecting customer spending;*
- *retention of our key personnel;*
- *our ability to manage and maintain key customer relationships;*
- *uncertain economic conditions in the telecommunications sector combined with operator and supplier consolidation;the timing of our receipt of payment for products or services from our customers;*
- *our failure to protect our intellectual property rights or defend against intellectual property infringement claims by others;*
- *the effects of currency and interest rate risks; and*
- *the impact of political, economic and geographic risks on international sales.*

Other factors besides those listed here also could adversely affect us. See "Item 1A. Risk Factors" in our Annual Report on Form 10-K for more information regarding factors that may cause our results to differ materially from those expressed or implied by the forward-looking statements contained in this Quarterly Report on Form 10-Q.

You should not place undue reliance on these forward-looking statements, which reflect our management's opinions only as of the date of the filing of this Quarterly Report on Form 10-Q. Forward-looking statements are made in reliance upon the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, along with provisions of the Private Securities Litigation Reform Act of 1995, and we undertake no obligation, other than as imposed by law, to update forward-looking statements to reflect further developments or information obtained after the date of filing of this Quarterly Report on Form 10-Q or, in the case of any document incorporated by reference, the date of that document.

RESULTS OF OPERATIONS - Quarter Ended October 1, 2010 compared with October 2, 2009

Highlights

Operations results for the first quarter of fiscal 2011 include:

- Net loss was $21.3 million, or $0.36 per common share, in the first quarter of fiscal 2011 compared with a net loss of $7.8 million, or $0.13 per common share, in the first quarter of fiscal 2010;
- Revenue decreased 9.1 percent to $109.1 million in the first quarter of fiscal 2011 from $120.0 million in the first quarter of fiscal 2010;
- Our North America segment revenue decreased 25.8 percent to $35.6 million and the segment recorded an operating loss of $13.6 million in the first quarter of fiscal 2011 compared with an operating loss of $3.2 million in the first quarter of fiscal 2010;
- Our International segment revenue increased 1.5 percent to $73.5 million and the segment recorded an operating loss of $12.7 million in the first quarter of fiscal 2011 compared with an operating loss of $3.2 million in the first quarter of fiscal 2010;
- Net cash used in operating activities was $36.8 million in the first quarter of fiscal 2011 compared with net cash provided by operations of $4.4 million in the first quarter of fiscal 2010.

Discussion of Consolidated Results of Operations

Revenue and Net Loss

	Quarter Ended October 1, 2010	Quarter Ended October 2, 2009	Percentage Increase/(Decrease)
	(In millions, except percentages)		
Revenue	$ 109.1	$ 120.0	(9.1)%
Net loss	$ (21.3)	$ (7.8)	N/M
% of revenue	(19.5)%	(6.5)%	

Revenue by region comparing the first quarter of fiscal 2011 with the first quarter of fiscal 2010 and the related changes are shown in the table below:

	Quarter Ended October 1, 2010	Quarter Ended October 2, 2009	Amount Increase/(Decrease)	Percentage Increase/(Decrease)
	(In millions, except percentages)			
North America	$ 35.6	$ 48.0	$ (12.4)	(25.8)%
International:				
Africa	23.0	29.9	(6.9)	(23.1)%
Europe, Middle East, and Russia	28.7	18.6	10.1	54.3%
Latin America and Asia Pacific	21.8	23.5	(1.7)	(7.2)%
Total International	73.5	72.0	1.5	2.1%
Total Revenue	$ 109.1	$ 120.0	$ (10.9)	(9.1)%

Our revenue in the first quarter of fiscal 2011 was $109.1 million, a decrease of $10.9 million or 9.1%, compared with the first quarter of fiscal 2010. This decrease in revenue resulted from significant declines in all regions, except Europe, Middle East and Russia where incremental backhaul product orders were delivered in the first quarter of fiscal 2011. Declines resulted primarily from reduced customer demand due to the global economic recession and the effects of the continuing credit crisis on our customers' ability to finance expansion, as well as increased competition from our competitors. Increased competition has affected product pricing and the ability to combine microwave equipment with other product sales and services. Furthermore, revenue has been negatively affected by anticipated or planned consolidation of our customers and foreign government-based subsidized financing, particularly in Africa.

During the first quarter of fiscal 2011, none of our customers accounted for 10% or more of revenue. During the first quarter of fiscal 2010, the MTN group in Africa ("MTN") and Middle East Telecommunications Company ("METCO") each accounted for 12% of our total revenue (two customers accounted for 24% of our total revenue).

Our net loss in the first quarter of fiscal 2011 was $21.3 million compared with a net loss of $7.8 million in the first quarter of fiscal 2010. The net loss in the first quarter of fiscal 2011 and 2010 included amortization of purchased intangibles, rebranding expenses and share compensation expense. In addition, we incurred substantial charges associated with two ongoing restructuring plans. During the first quarter of fiscal 2011, we incurred $5.6 million of restructuring charges compared with $1.1 million in the first quarter of fiscal 2010. Finally, we recognized a $3.9 million loss on the sale of NetBoss assets to a third party in the first quarter of fiscal 2011. Other assets on our Condensed Consolidated Balance Sheet as of October 1, 2010 decreased by approximately $8.0 million compared with July 2, 2010 as a result of the sale of NetBoss assets. These charges and expenses are set forth on a comparative basis in the table below:

	First Fiscal Quarter 2011	First Fiscal Quarter 2010
	(In millions)	
Restructuring charges	$ 5.6	$ 1.1
Loss on sale of NetBoss assets	3.9	—
Amortization of trade names and customer relationships	0.7	1.5
Rebranding expenses	0.3	0.1
Amortization of developed technology	0.2	2.1
Amortization of the fair value adjustments related to fixed assets and inventory	—	0.2
Share-based compensation expense	0.8	1.1
	$ 11.5	$ 6.1

Gross Margin

	Quarter Ended October 1, 2010	Quarter Ended October 2, 2009	Percentage Increase/(Decrease)
	(In millions, except percentages)		
Revenue	$ 109.1	$ 120.0	(9.1)%
Cost of product sales and services	(84.9)	(82.3)	3.2%
Gross margin	$ 24.2	$ 37.7	(35.8)%
% of revenue	22.2%	31.4%	

N/M = Not statistically meaningful

Gross margin in the first quarter of fiscal 2011 was $24.2 million, or 22.2% of revenue, compared with $37.7 million, or 31.4% of revenue in fiscal 2010. Prior to fiscal 2011, we capitalized most of the costs associated with our internal manufacturing operations as a component of the overall cost of product inventory. Beginning in the first quarter of fiscal 2011, the production of all our products is outsourced to contract manufacturers and we no longer manufacture products internally. Accordingly, the costs associated with our internal operations organization are now expensed as incurred. Gross margin in the first quarter of fiscal 2011 was negatively impacted by the immediate expensing of $6.0 million of such costs.

Gross margin in the first quarter of fiscal 2011 was also negatively impacted by low margins in our WiMAX contracts and by geographic and product mix issues.

Research and Development Expenses

	Quarter Ended October 1, 2010	Quarter Ended October 2, 2009	Percentage Increase/(Decrease)
	(In millions, except percentages)		
Revenue	$ 109.1	$ 120.0	(9.1)%
Research and development expenses	$ 11.1	$ 10.7	3.7%
% of revenue	10.2%	8.9%	

Research and development (“R&D”) expenses were $11.1 million in the first quarter of fiscal 2011 compared with $10.7 million in the first quarter of fiscal 2010. As a percentage of revenue, these expenses increased to 10.2% in the first quarter of fiscal 2011 from 8.9% in the first quarter of fiscal 2010 due to 9.1% lower revenue and a 3.7% increase in spending. The increase in R&D spending in the first quarter of fiscal 2011 compared with the first quarter of fiscal 2010 was primarily attributable to investments in new product innovation.

Selling and Administrative Expense

	Quarter Ended October 1, 2010	Quarter Ended October 2, 2009	Percentage Increase/(Decrease)
	(In millions, except percentages)		
Revenue	$ 109.1	$ 120.0	(9.1)%
Selling and administrative expenses	$ 29.2	$ 30.8	(5.2)%
% of revenue	26.8%	25.7%	

The following table summarizes the significant increases and decreases to our selling and administrative expenses comparing the first quarter of fiscal 2011 with the first quarter of fiscal 2010:

	Increase/(Decrease) (In millions)
Decrease in spending on information technology	$ (0.9)
Decrease in salaries and wages due to lower employment levels	(0.9)
Increase in commissions paid to sales agents	0.9
Other, net	(0.7)
	$ (1.6)

Income Taxes

	Quarter Ended October 1, 2010	Quarter Ended October 2, 2009	Percentage Increase/(Decrease)
	(In millions, except percentages)		
Loss before income taxes	$ (26.8)	$ (6.9)	N/M
(Benefit from) provision for income taxes	$ (5.5)	$ 0.9	N/M
% of (loss) income before income taxes	N/M	N/M	

N/M = Not statistically meaningful

The determination of benefit for income taxes for the first quarter of fiscal 2011 of $5.5 million and provision for income taxes for the first quarter of 2010 of $0.9 million was primarily based on our estimated annual effective tax rate adjusted for losses in separate jurisdictions for which no tax benefit can be recognized. The tax benefit in the first quarter of fiscal 2011 also includes a credit of $1.9 million from the expiring favorable tax ruling granted by the Singapore Economic Development Board which increases the tax rate applied to established local country deferred tax assets. The determination of first quarter fiscal 2011 income tax benefit and first quarter 2010 tax provision reflected tax benefit and expense generated in certain foreign jurisdictions.

Our effective tax rate varies from the U.S. federal statutory rate of 35% due to results of foreign operations that are subject to income taxes at different statutory rates and certain jurisdictions where we cannot recognize tax benefits on current losses.

Discussion of Business Segment Results of Operations

North America Segment

	Quarter Ended October 1, 2010	Quarter Ended October 2, 2009	Percentage Increase/(Decrease)
	(In millions, except percentages)		
Revenue	$ 35.6	$ 48.0	(25.8)%
Segment operating loss	$ (13.6)	$ (3.2)	N/M
% of revenue	(38.2)%	(6.7)%	

N/M = Not statistically meaningful

North America segment revenue decreased by $12.4 million, or 25.8%, in the first quarter of fiscal 2011 compared with the first quarter of fiscal 2010. This decrease in revenue resulted primarily from the economic recession and the continuing credit crisis adversely affecting our North America customers' expansion.

The North America segment first quarter fiscal 2011 operating loss included $4.8 million of restructuring charges, $3.9 million from the loss on sale of NetBoss assets and $0.7 million for share-based compensation.

The North America segment first quarter fiscal 2010 operating loss included $0.8 million for restructuring charges and $1.0 million for share-based compensation.

International Segment

	Quarter Ended		Percentage
	October 1, 2010	October 2, 2009	Increase/(Decrease)
	(In millions, except percentages)		
Revenue	$ 73.5	$ 72.0	2.1%
Segment operating loss	$ (12.7)	$ (3.2)	N/M
% of revenue	(17.3)%	(4.4)%	

N/M = Not statistically meaningful

International segment revenue increased by $1.5 million or 2.1% in the first quarter of fiscal 2011 compared with the first quarter of fiscal 2010. This increase in revenue resulted from a $10.1 million increase in the Europe, Middle East and Russia region partially offsets by a $6.9 million decrease in Africa and $1.7 million decrease in Latin America and Asia Pacific. The economic recession and the continuing credit crisis adversely affecting our customers' expansion, as well as increased competition from our competitors, particularly in Africa, negatively affected our International segment revenues.

The International segment first quarter fiscal 2011 operating loss included $0.8 million for restructuring charges and $0.1 million for share-based compensation.

The International segment first quarter fiscal 2010 operating loss resulted primarily from the decline in revenue when compared with levels prior to fiscal 2010 without a corresponding decrease in cost structure and included $0.3 million of restructuring charges and $0.1 million for share-based compensation.

Liquidity and Capital Resources

Sources of Cash

As of October 1, 2010, our principal sources of liquidity consisted of $107.8 million in cash and cash equivalents plus $24.4 million of available credit under our current $40.0 million credit facility with Silicon Valley Bank. Cash flow used in operations for the first quarter of fiscal 2011 totaled $36.8 million.

Our cash collections in the first quarter of fiscal year 2011 were substantially lower than in the fourth quarter of fiscal year 2010 in part because we had very strong collections in the fourth quarter of fiscal year 2010 compared with revenue in that quarter. In addition, because of operational and manufacturing issues, we had substantial shipments to customers with a large quantity of products shipped in the final month of the quarter. This limited our ability to collect receivables before the quarter end. Cash use in the quarter was caused by losses in the quarter, sequential increases in receivables of approximately $13 million and a sequential reduction in accounts payables of $5 million. We expect that cash burn will continue in the second quarter of fiscal year 2011 and should result in a $10 million to $20 million decrease to cash and cash equivalents on our balance sheet.

We believe that cash on hand and the available line of credit are sufficient to meet our working capital requirements for next 12 months and foreseeable future.

As of October 1, 2010, approximately $52.4 million or 49% of our total cash and cash equivalents was held by entities domiciled in the United States. The remaining balance of $55.4 million or 51% was held by entities outside the United States, primarily in Singapore, and could be subject to additional taxation if it were to be repatriated to the United States.

Available Credit Facility and Repayment of Debt

As of October 1, 2010, we had $24.4 million of credit available under our $40.0 million revolving credit facility with Silicon Valley Bank as mentioned above. The total amount of revolving credit available was $40.0 million less $6.0 million in outstanding short term loans which mature by September 30, 2011, and $9.6 million in outstanding standby letters of credit issued under the facility.

The commitment of $40.0 million under the facility expires in September 2011 and provides for (1) demand borrowings at the prime rate published in the *Wall Street Journal*, (2) fixed term Eurodollar loans for up to six months at LIBOR plus a spread of between 2.00% to 2.75% based on the company's current leverage ratio and (3) the issuance of standby or commercial letters of credit. The facility contains a minimum liquidity ratio covenant and a minimum profitability covenant and is secured by the company's assets.

Based on covenants included as part of the credit facility we must maintain, as measured at the last day of each fiscal quarter, (1) no less than a minimum liquidity ratio of 2.50 to 1 (defined as the ratio of total domestic unrestricted cash and cash equivalents plus short-term and long-term marketable securities to total obligations outstanding with the bank) and (2) minimum consolidated EBITDA measured for each fiscal quarter as follows:

Period		Minimum EBITDA
Quarter ending October 1, 2010	$	(18,000,000)
Quarter ending December 31, 2010	$	(10,500,000)
Quarter ending April 1, 2011	$	(7,000,000)
Quarter ending July 1, 2011		(2,500,000)
Each Quarter Thereafter	$	1,000,000

As of October 1, 2010, we were in compliance with these financial covenants.

Subsequent to October 1, 2010, we negotiated an amendment to our credit facility with Silicon Valley Bank that modifies the liquidity ratio to expand the definition of domestic unrestricted cash to include cash held by our Singapore subsidiary in the U.S. up to a maximum amount of $20.0 million. This expanded definition will increase our available credit under the facility by up to $8.0 million without changing the maximum credit amount of $40.0 million.

Restructuring and Payments

We have a liability for restructuring activities totaling $7.4 million as of October 1, 2010, of which $7.2 million is classified as a current liability and expected to be paid out in cash over the next year. Additionally, during the remainder of fiscal 2011, we expect to incur approximately $15 million of additional charges from our restructuring activities. We expect to fund these future payments with available cash and cash flow provided by operations.

Commercial Commitments and Contractual Obligations

The amounts disclosed in our Fiscal 2010 Form 10-K include our commercial commitments and contractual obligations. During the quarter ended October 1, 2010, no material changes occurred in our contractual cash obligations to repay debt, to purchase goods and services and to make payments under operating leases or our commercial commitments and contingent liabilities on outstanding letters of credit, guarantees and other arrangements as disclosed in our Fiscal 2010 Form 10-K.

Critical Accounting Estimates

For information about our critical accounting estimates, see the "Critical Accounting Estimates" section of "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended July 2, 2010.

Impact of Recently Issued Accounting Pronouncements

As described in "Note B — New Accounting Pronouncements" in the Notes to Condensed Consolidated Financial Statements, there are accounting pronouncements that have recently been issued but have not yet been implemented by us. Note B describes the potential impact that these pronouncements are expected to have on our financial position, results of operations and cash flows.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Financial Risk Management

In the normal course of doing business, we are exposed to the risks associated with foreign currency exchange rates and changes in interest rates. We employ established policies and procedures governing the use of financial instruments to manage our exposure to such risks.

Exchange Rate Risk

Descriptions of our exchange rate risk are incorporated by reference from Part I, Item 1, Financial Statements — Notes to Condensed Consolidated Financial Statements — "Note N" in response to this item.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our cash equivalents and bank debt.

Exposure on Cash and Cash Equivalents

We do not use derivative financial instruments in our short-term investment portfolio. We invest in high-credit quality issues and, by policy, limit the amount of credit exposure to any one issuer and country. The portfolio includes only marketable securities with active secondary or resale markets to ensure portfolio liquidity. The portfolio is also diversified by maturity to ensure that funds are readily available as needed to meet our liquidity needs. This policy reduces the potential need to sell securities in order to meet liquidity needs and therefore the potential effect of changing market rates on the value of securities sold.

We had $107.8 million in total cash and cash equivalents as of October 1, 2010. Cash equivalents totaled $37.3 million as of October 1, 2010.

The primary objective of our short-term investment activities is to preserve principal while maximizing yields, without significantly increasing risk. Our cash equivalents earn interest at fixed rates; therefore, changes in interest rates will not generate a gain or loss on these investments unless they are sold prior to maturity. Actual gains and losses due to the sale of our investments prior to maturity have been immaterial. The weighted average days to maturity for cash equivalents held as of October 1, 2010 was two days, and these investments had an average yield of 0.25% per annum. A 10% change in interest rates on our cash and cash equivalents is not expected to have a material impact on our financial position, results of operations or cash flows.

Cash equivalents have been recorded at fair value on our balance sheet.

Exposure on Borrowings

During the first quarter of fiscal 2011, we had $5.0 million of short-term borrowings outstanding under our previous $70.0 million revolving credit facility that incurred interest at the London Interbank Offered Rate ("LIBOR") plus 1.50%. During the quarter our weighted average interest rate was 2.48% and we recorded total interest expense of less than $0.1 million on these borrowings.

On October 1, 2010, we repaid the $5.0 million outstanding under our previous $70.0 million revolving credit facility with the proceeds of a new borrowing of $6.0 million at the prime rate under our new $40.0 million credit facility. As of October 1, 2010 our weighted average interest rate was 3.25%. A 10% change in interest rates on the current borrowings or on future borrowings is not expected to have a material impact on our financial position, results of operations or cash flows since interest on our short-term debt is not material to our overall financial position.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Our disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Management has conducted an evaluation, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of October 1, 2010.

Changes in Internal Control over Financial Reporting

There has been no change in our internal controls over financial reporting during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Descriptions of our legal proceedings are incorporated by reference from Part I, Item 1, Financial Statements — Notes to Condensed Consolidated Financial Statements — “Note P” in response to this item.

Item 1A. Risk Factors

Investors should carefully review and consider the information regarding certain factors which could materially affect our business, operating results, cash flows and financial condition set forth under Item 1A, Risk Factors, in our Fiscal 2010 Form 10-K.

We do not believe that there have been any other material additions or changes to the risk factors previously disclosed in our Fiscal 2010 Form 10-K, although we may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

Item 6. Exhibits

The following exhibits are filed herewith or incorporated by reference to exhibits previously filed with the SEC:

Exhibit Number	Description
(10.1)	Agreement by and between Aviat Networks, Inc. and the Ramius Group dated as of Sept. 14, 2010 (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on September 16, 2010, File No. 001-33278)
(10.2)	Amended Employment Agreement between Aviat Networks, Inc. and Charles D. Kissner, dated August 1, 2010.
(10.3)	Loan and Security Agreement between Aviat Networks, Inc., Aviat U.S., Inc., Aviat Networks(S) Pte. Ltd. and Silicon Valley Bank signed October 1, 2010 (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on October 4, 2010, File No. 001-33278)
(31.1)	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
(31.2)	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
(32.1)	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AVIAT NETWORKS, INC.
(Registrant)

Date: November 10, 2010

By: /s/ J. Russell Mincey
J. Russell Mincey
Vice President, Corporate Controller and
Principal Accounting Officer
(principal accounting officer and
duly authorized officer)

EXHIBIT INDEX

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(31.2)	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
(32.1)	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer.

Exhibit 10.2

August l, 2010

Charles D. Kissner
27778 Stirrup Way
Los Altos Hills, CA 94022

Employment Agreement

Dear Chuck:

This letter agreement sets forth the terms of your employment with Aviat Networks, Inc. (the "Company"), as well as our understanding with respect to any termination of that employment relationship. This Agreement amends and restates, effective on the date hereof, the Employment Agreement dated June 28, 2010 between the Company and you.

1. Position and Duties. You will be employed by the Company as its Chairman and Chief Executive Officer, reporting to the Company's Board of Directors ("Board"). This position will be based at our corporate headquarters in Santa Clara, California. You accept employment with the Company on the terms and conditions set forth in this Agreement, and you agree to devote your full business time, energy and skill to your duties at the Company. Your primary responsibilities will be to assume the top leadership of the Company, direct the organization to ensure the attainment of revenue and profit goals, drive optimal return on invested capital and grow shareholder value, subject to the oversight and supervision of the Board. Your current positions as a director of the Company and Chairman of the Board will not be affected by your employment hereunder, except that your compensation under this Agreement will be in lieu of any compensation as a director accruing after your start date. It is understood that the Company will appoint a lead independent director, who will preside over outside-director-only portions of Board meetings.

2. Term of Employment. Your employment with the Company is for no specified term, and may be terminated by you or the Company at any time, with or without cause, subject to the provisions of Paragraphs 4 and 5 below.

3. Compensation. You will be compensated by the Company for your services as follows:

(a) Salary: You will be paid a monthly base salary of $57,917 ($695,000 per year), less applicable withholding, in accordance with the Company's normal payroll procedures. In conjunction with your annual performance review, which will occur at or about the start of each fiscal year (currently July 1st), your base salary will be reviewed by the Board, and may be subject to adjustment by the Board based upon various factors including, but not limited to, your performance and the Company's profitability. Your base salary will not be reduced except as part of a salary reduction program that similarly affects all members of the executive staff reporting to the Chief Executive Officer of the Company.

(b) Annual Incentive Plan: Starting with FY 2011, you will be eligible to participate in the Company's Annual Incentive Plan, with a target annual bonus of 100% of your annual base salary. The Annual Incentive Plan will be paid (if minimum targets are met) in the calendar year in which the relevant fiscal year ends, promptly after the completion of each fiscal year's audit.

(c) Long-Term Incentive Program: Starting with FY 2011, you will be eligible to participate in the Company's Long-Term Incentive Program as defined by the Board. The GAAP value of your initial award, as determined by the Board in its reasonable discretion, will be $1,400,000. The expected structure is (i) one-third of such value will be represented by options with a 3-year vesting period (50%/25%/25%), (ii) one-third of such value will be represented by performance shares subject to vesting based on achievement of Company financial performance criteria for the three-year period ending at the end of FY 2013, and (iii) one-third of such value will be represented by restricted stock with a 3-year vesting period (33⅓%/33⅓%/33⅓%). The structure for future periods is subject to determination by the Board.

(d) Benefits: You will have the right, on the same basis as other employees of the Company, to participate in and to receive benefits under any Company group medical, dental, life, disability or other group insurance plans, as well as under the Company's business expense and travel reimbursement, educational assistance, holiday, and other benefit plans and policies. You will also be eligible to participate in the Company's 401(k) plan.

(e) Vacation: Commencing on your start date, you will accrue paid vacation in accordance with the Company's vacation policy at the rate of 5 weeks per year. However, the number of accrued vacation hours at any one time shall not exceed 160 hours.

4. Voluntary Termination. In the event that you voluntarily resign from your employment with the Company (other than for Good Reason as defined below), you will be entitled to no compensation or benefits from the Company other than those earned under Paragraph 3 through the date of your termination. (For purposes of this Agreement, no part of (i) the Annual Incentive Plan for the year in which your termination occurs, (ii) the performance shares of the multi-year period in which your termination occurs or (iii) unvested options or restricted shares will be deemed earned.) You agree that if you voluntarily terminate your employment with the Company for any reason, you will provide the Company with at least 10 business days' written notice of your resignation. The Company shall have the option, in its sole discretion, to make your resignation effective at any time prior to the end of such notice period, provided the Company pays you an amount equal to the base salary you would have earned through the end of the notice period.

5. <u>Other Termination</u>. Your employment may also be terminated under the circumstances set forth below.

(a) <u>Termination for Cause</u>: The Company may terminate your employment at any time for cause (as described below). If your employment is terminated by the Company for cause, you shall be entitled to no compensation or benefits from the Company other than those earned under Paragraph 3 through the date of your termination. For purposes of this Agreement, a termination for "cause" occurs if you are terminated for any of the following reasons: (i) any act of misconduct or dishonesty by you in the performance of your duties under this Agreement; (ii) any willful failure by you to attend to your duties under this Agreement; (iii) any material breach of this Agreement; provided, however, that for any alleged failure or breach under sub-sections (ii) or (iii) above, the Board first provides you written notice setting forth with reasonable specificity the reasons that the Board believes you have committed such alleged failure or breach, and provides you thirty (30) days to cure such alleged failure or breach; (iv) your conviction of (or pleading guilty or nolo contendere to) any felony or misdemeanor involving theft, embezzlement, dishonesty or moral turpitude; or (v) any misconduct resulting in material harm to the Company's business or reputation.

(b) <u>Termination Without Cause or Upon Death or Disability</u>: The Company may terminate your employment without cause at any time. If your employment is terminated by the Company without cause or by reason of death or any physical or mental incapacity which has prevented and/or will prevent you from performing your then-current duties under this Agreement for more than three consecutive months, and you (or your estate or personal representative, as applicable) sign a general release of known and unknown claims in a form satisfactory to the Company within sixty (60) days of the termination of your employment (or such shorter period as is necessary to comply with the following clause), which must be valid and enforceable no later than the ninetieth (90th) day after your termination, and you fully comply with your obligations under Paragraphs 6, 7 and 9 below, you (or your estate or personal representative, as applicable) will receive the following severance benefits:

(i) all compensation and benefits under Paragraph 3 above that is earned but unpaid through the date of termination, to be paid as and when otherwise due;

(ii) severance payments at your final base salary rate for a period (the "Severance Period") starting on the date of your termination and ending on the later of (i) the 1st anniversary of the date your termination and (ii) June 28, 2012; such payments will be subject to applicable withholding and made monthly commencing as of the effective date of your release; <u>provided</u> that any payment otherwise due under this clause (ii) prior to the 90th day after your termination shall instead be paid, without interest, on such 90th day;

(iii) payment of the premiums necessary to continue your group health insurance under COBRA (or to purchase other comparable health insurance coverage on an individual basis if you are no longer eligible for COBRA coverage) until the earlier of (x) the end of the Severance Period; or (y) the date you first became eligible to participate in another employer's group health insurance plan;

(iv) the prorated portion of any Annual Incentive Plan bonus that you would have earned, if any, during the Annual Incentive Plan period in which your employment terminates (the pro-ration shall be equal to the percentage of that bonus period that you are actually employed by the Company). Your Annual Incentive Plan bonus, on which the proration will be based, shall be computed in a manner consistent with the computation of bonuses for other senior level executives, and the prorated bonus will be payable at the time that such Annual Incentive Plan bonuses, if any, are paid to continuing Company employees; and

(v) with respect to any stock options or time-vesting restricted shares granted to you by the Company, you will cease vesting upon your termination date; however, for options granted subsequent to the date of this Agreement, you will be entitled to purchase any vested shares of stock that are subject to those options until the earlier of (x) twelve (12) months following your termination date, or (y) the date on which the applicable option(s) expire(s). Notwithstanding the provisions of this Paragraph 5(b)(v), the Board may in its sole discretion provide for additional vesting of restricted shares, options and/or performance shares upon termination under this Paragraph 5(b).

You will not be required to mitigate the severance payments and benefits described in Paragraphs 5(b)(ii) — (v) above by seeking employment or otherwise, and there shall be no offset against amounts due you under Paragraphs 5(b)(ii) — (v) on account of your subsequent employment (except as provided in Paragraph 5(b)(iii) above and in Paragraph 7(c) below). Except as expressly set forth in this Paragraph 5(b), your Company stock options, restricted shares and performance shares will continue to be subject to and governed by the Company's 2007 Stock Equity Plan (the "Plan") and the applicable stock option, restricted stock and performance share agreements between you and the Company. Nothing in this Paragraph 5(b) shall affect your rights under any applicable Company disability plan; provided, however, that your severance payments will be offset by any disability income payments received by you so that the total monthly severance and disability income payments during your severance period shall not exceed your then-current base salary.

(c) Resignation for Good Reason: If you resign from your employment with the Company for Good Reason (as defined in this Paragraph 5(c)), and you sign a general release of known and unknown claims in a form satisfactory to the Company within sixty (60) days of the termination of your employment (or such shorter period as is necessary to comply with the following clause) which becomes valid and enforceable no later than the ninetieth (90th) day after your termination, and you fully comply with your obligations under Paragraphs 6, 7 and 9 below, you shall receive the severance benefits described in Paragraph 5(b) above. For purposes of this Paragraph 5(c), "Good Reason" means any of the following conditions, which condition(s) remain in effect 30 days after written notice from you to the Board of said condition(s):

(i) a material reduction in your then-current base salary or annual target bonus (expressed as a percentage of your then-current base salary), without your written consent expressly waiving the benefits of this paragraph 5(c); or

(ii) a material reduction in your employee benefits taken as a whole without your written consent expressly waiving the benefits of this paragraph 5(c); or

(iii) a material reduction in your responsibilities without your written consent expressly waiving the benefits of this paragraph 5(c); or

(iv) a material breach by the Company of any material provision of this Agreement; or

(v) a requirement that you relocate your Company office to a location more than thirty-five (35) miles from your then-current Company office location without your written consent expressly waiving the benefits of this paragraph 5(c).

The foregoing condition(s) shall not constitute "Good Reason" if you do not provide the Board with the written notice described above within 45 days after you first become aware of the condition(s).

6. Confidential and Proprietary Information: As a condition of your employment, you agree to sign and abide by the Company's standard form of Invention, Authorship, Proprietary and Confidential Information Agreement.

7. Termination Obligations.

(a) You agree that all property, including, without limitation, all equipment, proprietary information, documents, books, records, reports, notes, contracts, lists, computer disks (and other computer-generated files and data), and copies thereof, created on any medium and furnished to, obtained by, or prepared by you in the course of or incident to your employment, belongs to the Company and shall be returned to the Company promptly upon any termination of your employment.

(b) Upon your termination for any reason, and as a condition of your receipt of any severance benefits hereunder, you will promptly resign in writing from all offices and directorships then held with the Company or any affiliate of the Company.

(c) Following the termination of your employment with the Company for any reason, you shall fully cooperate with the Company in all matters relating to the winding up of pending work on behalf of the Company and the orderly transfer of work to other employees of the Company. You shall also cooperate in the defense of any action brought by any third party against the Company. The Company shall pay you for your time incurred to comply with this provision at a reasonable per diem or per hour rate.

8. Limitation of Payments and Benefits.

To the extent that any of the payments and benefits provided for in this Agreement or otherwise payable to you (the "Payments") constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), the amount of such Payments shall be either:

(a) the full amount of the Payments, or

(b) a reduced amount that would result in no portion of the Payments being subject to the excise tax imposed pursuant to Section 4999 of the Code (the “Excise Tax”),

whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by you, on an after-tax basis, of the greatest amount of benefit. In the event that any Excise Tax is imposed on the Payments, you will be fully responsible for the payment of any and all Excise Tax, and the Company will not be obligated to pay all or any portion of any Excise Tax.

9. Other Activities.

(a) In order to protect the Company’s valuable proprietary information, you agree that during your employment and for the period, if any, during which severance payments at your final base salary rate are payable under Paragraph 5(b) or 5(c) above, you will not, as a compensated or uncompensated officer, director, consultant, advisor, partner, joint venturer, investor, independent contractor, employee, for your own account or otherwise, provide to any person or entity in competition with the Company any labor, services, advice or assistance regarding the design, manufacture, distribution (directly or indirectly) or integration of any digital microwave products substantially similar to then-current Company products in form, fit, or function and used in terrestrial microwave point-to-point telecommunications networks anywhere in the world.

(b) You agree that for a period of eighteen (18) months following the termination of your employment with the Company for any reason, you will not, as a compensated or uncompensated officer, director, consultant, advisor, partner, joint venturer, investor, independent contractor, employee, for your own account or otherwise, solicit any individual who is, or within six (6) months prior to the time of solicitation was, an employee of the Company or any subsidiary of the Company to leave his or her employment with the Company or any subsidiary of the Company.

(c) You acknowledge and agree that the restrictions contained in this Paragraph 9 are reasonable and necessary, as there is a significant risk that your provision of labor, services, advice or assistance to any of those competitors could result in the disclosure of the Company’s proprietary information. You further acknowledge and agree that the restrictions contained in this Paragraph 9 will not preclude you from engaging in any trade, business or profession that you are qualified to engage in. In the event of your breach of this Paragraph 9, the Company shall not be obligated to provide you with any further severance payments or benefits subsequent to such breach.

10. Dispute Resolution. The parties agree that any dispute arising out of or relating to this Agreement, the parties’ employment relationship or the termination of that relationship for any reason, shall settled by arbitration before a single arbitrator in the area of the Company’s headquarters in accordance with the rules of the American Arbitration Association. The arbitrator’s decision will be final and binding on the Company and you. If the Company and you

cannot agree on the arbitrator within thirty (30) days after either party's request for arbitration, the arbitrator will be selected by, or in accordance with a procedure established by, the senior officer of the office of the American Arbitration Association nearest the Company's headquarters. The prevailing party will be entitled to reimbursement from the non-prevailing party for the prevailing party's reasonable fees and expenses of the prevailing party's counsel, and the non-prevailing party will bear the cost of the non-prevailing party's counsel, in connection with any such dispute. The Company shall bear all filing fees and costs of the American Arbitration Association and the fees and expenses of the arbitrator. Notwithstanding this Paragraph 10, the Company may bring an action for injunctive relief in any court of competent jurisdiction.

11. Compliance with Section 409A of the Internal Revenue Code. This Agreement is intended to comply with, or otherwise be exempt from Section 409A of the Code and the rules and regulations promulgated thereunder (collectively, "Section 409A"). However, the Company has not made and is making no representation to you relating to the tax treatment of any payment pursuant to this Agreement under Section 409A and the corresponding provisions of any applicable State income tax laws.

Notwithstanding anything to the contrary in this Agreement, any payments or benefits due hereunder upon a termination of employment which are a "deferral of compensation" within the meaning of Section 409A shall only be payable or provided to you upon a "separation from service" as defined for purposes of Section 409A. In addition, if you are a "specified employee" as determined pursuant to Section 409A as of the date of your separation from service, as so defined, and if any payments or entitlements provided for in this Agreement constitute a "deferral of compensation" within the meaning of Section 409A and cannot be paid or provided in the manner provided herein without subjecting you to additional tax, interest or penalties under Section 409A, then any such payment or entitlement which is otherwise payable during the first six months following your separation from service shall be paid or provided to you in a lump sum on the earlier of (i) the first business day of the seventh calendar month immediately following the month in which your separation from service occurs and (ii) the date of your death. To the extent required to satisfy the provisions of the foregoing sentence with respect to any benefit to be provided in-kind, the Company shall bill you, and you shall promptly pay, the value for tax purposes of any such benefit and the Company shall therefore promptly refund the amount so paid by you as soon as allowed by the foregoing sentence.

For purposes of Section 409A, the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments. With respect to any reimbursement of your expenses, or any provision of in-kind benefits to you, as specified under this Agreement, such reimbursement of expenses or provision of in-kind benefits shall be subject to the following conditions: (1) the expenses eligible for reimbursement or the amount of in-kind benefits provided in one taxable year shall not affect the expenses eligible for reimbursement or the amount of in-kind benefits provided in any other taxable year, except for any medical reimbursement arrangement providing for the reimbursement of expenses referred to in Section 105(b) of the Code; (2) the reimbursement of an eligible expense shall be made no later than the end of the year after the year in which such expense was incurred; and (3) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

12. Severability. If any provision of this Agreement is deemed invalid, illegal or unenforceable, such provision shall be modified so as to make it valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected.

13. Applicable Withholding. All salary, bonus, severance and other payments identified in this Agreement are subject to applicable withholding by the Company.

14. Assignment. In view of the personal nature of the services to be performed under this Agreement by you, you cannot assign or transfer any of your obligations under this Agreement.

15. Entire Agreement. This Agreement and the agreements referred to above constitute the entire agreement between you and the Company regarding the terms and conditions of your employment, and they supersede all prior negotiations, representations or agreements between you and the Company regarding your employment, whether written or oral. This Agreement sets forth our entire agreement regarding the Company's obligation to provide you with severance benefits upon any termination of your employment, and you shall not be entitled to receive any other severance benefits from the Company pursuant to any Company severance plan, policy or practice.

16. Governing Law. This Agreement shall be governed by and construed in accordance with the law of the state of California, without reference to principles of conflicts of laws.

17. Modification. This Agreement may only be modified or amended by a supplemental written agreement signed by you and an authorized representative of the Board.

18. Legal Fees. The Company will reimburse you for the reasonable fees and expenses of your attorney in connection with the negotiation of this Agreement, up to a maximum of $7,000 unless otherwise agreed in writing by the Chairman of the Company's Compensation Committee, within thirty (30) days after your start date, subject to the Company's expense reimbursement policies and procedures.

19. Indemnification, Advancement, Insurance. You will be entitled to indemnification and advancement in accordance with the Company's bylaws as currently in effect. The Company will provide reasonable directors' and officers' insurance coverage for its directors and officers, including you.

Please sign and date this letter on the spaces provided below to acknowledge your acceptance of the terms of this Agreement.

Sincerely,

Aviat Networks, Inc.

By: /s/ Thomas L. Cronan III
Name: Thomas L. Cronan III
Title: Sr. VP & CFO

I agree to and accept employment with Aviat Networks, Inc. on the terms and conditions set forth in this Agreement.

/s/ Charles D. Kissner
Charles D. Kissner

Exhibit 31.1

CERTIFICATION

I, Charles D. Kissner, Chief Executive Officer and Chairman of the Board of Aviat Networks, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended October 1, 2010, of Aviat Networks, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2010

/s/ Charles D. Kissner
Name: Charles D. Kissner
Title: Chief Executive Officer
and Chairman of the Board

Exhibit 31.2

CERTIFICATION

I, Thomas L. Cronan III, Senior Vice President and Chief Financial Officer of Aviat Networks, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended October 1, 2010, of Aviat Networks, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2010

/s/ Thomas L. Cronan III

Name: Thomas L. Cronan III
Title: Senior Vice President
and Chief Financial Officer

Exhibit 32.1

Certifications of Chief Executive Officer and Chief Financial Officer of Aviat Networks, Inc.
Pursuant to Section 1350 of Chapter 63 of Title 18 of the
United States Code as Adopted Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002

In connection with the filing of the Quarterly Report on Form 10-Q of Aviat Networks, Inc. ("Aviat Networks") for the fiscal quarter ended October 1, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Charles D. Kissner, Chief Executive Officer and Chairman of the Board of Aviat Networks, and Thomas L. Cronan III, Senior Vice President and Chief Financial Officer of Aviat Networks, hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. §1350, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Aviat Networks as of the dates and for the periods expressed in the Report.

Date: November 10, 2010

/s/ Charles D. Kissner
Name: Charles D. Kissner
Title: Chief Executive Officer
and Chairman of the Board

Date: November 10, 2010

/s/ Thomas L. Cronan III
Name: Thomas L. Cronan III
Title: Senior Vice President
and Chief Financial Officer