AVIAT NETWORKS

ANNUAL REPORT 2010

Letter to Stockholders

September 27, 2010

To Our Stockholders:

Fiscal Year 2010 was a challenging year for Aviat Networks. During the past two years, we focused on creating a business model that provided end-to-end solutions for our customers' networks organized around four business initiatives—IP Mobile Backhaul, WiMAX, Energy and Security Solutions and Managed Services. While each of these business initiatives has helped the company to broaden its portfolio and expand its reach into new markets, it also required a large investment in resources. As we were in the midst of this expansion, the world fell into economic turmoil. Despite the growing demand for mobile broadband, our customers were adversely affected by the changing macroeconomic landscape. Their limited access to capital forced them to reduce the pace of new investments in their networks. In addition, we faced some of our own execution issues. To address this situation, our Board of Directors and management team decided to restructure our organization and redefine the strategic direction of the business, the goal of which is to improve our ability to address the changing needs of our customers.

While the Company faced a difficult business environment, we continued to strengthen our balance sheet, and by year end had achieved record cash levels. This is important as we enter a period of restructuring and turnaround that will require a strong balance sheet in order to successfully execute. We are working hard to improve our operations by taking aggressive steps in fiscal 2011 to restore the Company to historical levels of profitable growth and to accelerate our innovation processes to maintain our leadership as the number one independent wireless backhaul provider.

Our Fiscal Year Financial Results

For fiscal 2010, the Company reported revenue of $478.9 million, compared with revenue of $679.9 million in the prior year. Net loss for fiscal 2010 was $130.2 million, or a loss per share of $2.19, compared with a net loss of $355.0 million, or a loss per share of $6.05 for fiscal year 2009. On a non-GAAP basis, net loss was $14.2 million, or $0.24 per diluted share, compared with net income of $28.3 million, or $0.48 per diluted share, in the prior year period. Fiscal year 2010 non-GAAP results exclude $119.8 million of pre-tax charges primarily comprised of $71.1 million for intangible and fixed asset impairment charges, $2.4 million for Harris settlement charges, $13.8 million for amortization of purchased intangibles, $13.1 million for restructuring, rebranding and stock compensation expense, and offset by $2.2 million in gains from the settlement with Telsima shareholders and the sale of the San Antonio facility.

The Company has undertaken restructuring as a first step in a comprehensive strategic plan to first enable a return to profitability, and then to continue building a stable platform to drive sustainable revenue growth.

We expect to reduce our cost base by $30 to $35 million in fiscal 2011. We anticipate completing all key actions associated with this restructuring in fiscal 2011. Many of the actions we plan to take with our restructuring will put Aviat Networks in a stronger financial position going forward, with a better ability to execute rapidly and to meet new opportunities in the marketplace.

Market Opportunity

While the global economic crisis constrained spending, especially in certain international geographies, the underlying requirement for high-speed wireless transmission products is expected to be strong over the coming years. We believe that this demand is directly related to a growing global subscriber base for mobile wireless communications services, increased demand for fixed wireless transmission solutions and demand for new services delivered from next-generation networks. Major driving factors for such demand include:

- *Global wireless subscriber growth and introduction of new broadband mobile services.* The number of global wireless subscribers and minutes of use per subscriber are expected to continue to increase. The key drivers of this trend are increased mobile penetration rates and dramatic growth in demand for mobile broadband data services, facilitated by the introduction of new data-driven smartphones, such as the iPhone® and new operating systems such as Android®[1]. This demand for data is straining the capacity and capability of the existing mobile infrastructure. To address this problem we expect many operators to upgrade their backhaul networks.
- *Broadband Stimulus.* The American Recovery and Reinvestment Act (ARRA), widely known as the stimulus bill, allocates $7.2 billion in grant and loan funding for broadband/wireless initiatives for rural unserved and underserved geographies across the country. This funding is available to a wide variety of organizations to purchase and implement network infrastructure and services to improve broadband coverage. Aggressive stimulus timelines, combined with the rural-focus of stimulus projects, is driving increasing demand for wireless technologies including point-to-point microwave systems and point-to-multipoint systems such as WiMAX.
- *Smart Grid.* Smart Grid is a broad-reaching initiative that involves transforming utility communications networks to achieve efficiencies in generation, distribution and consumption of electricity and other resources. Utility companies are planning heavy investments in new private telecommunications network infrastructure to achieve smart grid objectives, and in many cases these will drive increasing demand for wireless technologies.
- *Mobile and fixed wireless telecommunications infrastructures in developing countries.* In many places, telecommunications services are inadequate or unreliable because of the lack of existing infrastructure. To service providers in developing countries seeking to increase the availability and quality of telecommunications and Internet access services, wireless solutions are an attractive alternative to the construction or leasing of wireline networks.

To capitalize on these market opportunities, we have made significant strides in transforming our business to not only be the independent leader in mobile backhaul but also one that supports a broad range of wireless transmission products and services for many applications. To differentiate ourselves, we will continue to improve upon our end-to-end transmission solutions that deliver the network performance needed to support next generation services and enable a smooth transition from legacy networks to all-IP infrastructure.

Strategic Focus

With fiscal 2010 behind us, we are now turning our primary attention to restructuring our business to restore profitability and build a platform to drive sustainable revenue growth. We have a number of strategic

1 *iPhone®, Android® and any other third party marks referred to herein, are the property of their respective owners.*

and operational goals to execute upon, which include aligning our cost base with revenue generation levels, optimizing our product portfolio, fixing our business processes, growing our top line and creating a sustainable, profitable business model. We are working aggressively to streamline established management processes to run more efficiently and with the speed required by the markets in which we do business.

While we've been aggressive about our cost reduction plans, they are focused in ways that help us achieve these goals without impeding our focus on innovation, which is necessary for us to maintain and expand our position as a leading provider of wireless solutions. While there are reductions in spending in almost all areas, our General and Administrative costs are most dramatically affected in our plan.

We have recently completed a long-term strategic plan, which is streamlined and focused on our core competencies, in order to establish a firm foundation on which Aviat Networks will resume long-term profitable growth. As part of this plan, we have structured Aviat Networks functionally, rather than by business initiatives, to enhance our focus and our operational excellence.

The first and most important step in this process is our reemphasis on the microwave area, an area in which we are a known leader. We intend to accelerate innovation in wireless transmission (with several new products planned for fiscal 2011 and fiscal 2012), shrink the costs associated with our products, and improve our operational performance. Secondly, we are realigning the WiMAX business. We believe WiMAX should be viewed as a technology, not a market. We will use that technology to focus our attention on the wireless transmission business instead of all the markets that are touched by WiMAX, in a way that is more complementary to our business and our microwave products. Finally, we are elevating our focus on our services business, which we view to be a strong differentiator.

This past June, I took on the position of CEO of Aviat Networks. I did it because I see tremendous potential in this company—in our products, our people, and our customers. I would like to thank our shareholders, customers, and employees for their support and patience as we execute this business transformation. I urge you all to stay tuned for a stronger Aviat Networks. I am confident that our combined efforts will deliver a more competitive, innovative, and more cost-effective set of solutions that will enable us to continue to serve our customers well and unlock value for our stockholders in fiscal 2011 and beyond.

Chuck Kissner
Chairman and Chief Executive Officer

This letter to Stockholders contains statements that qualify as "forward-looking statements" under the Private Securities Litigation Reform Act of 1995, including, but not limited to our plans, strategies and objectives for future operations; new products, services or developments; future economic conditions; outlook; projected cost efficiencies and supply chain savings; our growth potential; and the potential known and unknown risks, uncertainties and other factors that the industry and markets we serve are subject to may cause our actual results to be materially different from those expressed or implied by each forward-looking statement. These risks, uncertainties and other factors are discussed in our 2010 Form 10-K.

AVIAT NETWORKS, INC.

5200 Great America Parkway, Santa Clara CA 95054

Notice of 2010 Annual Meeting of Stockholders
To Be Held on November 9, 2010

TO THE HOLDERS OF COMMON STOCK OF AVIAT NETWORKS, INC.

NOTICE IS HEREBY GIVEN that the 2010 Annual Meeting of Stockholders of Aviat Networks, Inc. (the "Company") will be held at our facilities, located at 5200 Great America Parkway, Santa Clara, California, on Tuesday, November 9, 2010 at 2:30 p.m., local time, for the following purposes:

1. Election of eight directors to serve until the next annual meeting of stockholders or until their successors have been duly elected and qualified.

2. Ratification of the appointment by our Audit Committee of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2011.

3. The transaction of such other business as may properly come before the annual meeting, or any adjournments or postponements thereof.

Only holders of common stock of record at the close of business on September 22, 2010 are entitled to notice of and to vote at the Annual Meeting and all adjournments or postponements thereof.

Whether or not you expect to attend in person, we urge you to submit a proxy to vote your shares in accordance with the instructions that we provide to you and as set forth in the proxy statement for the 2010 Annual Meeting. This will help ensure the presence of a quorum at the meeting.

By Order of the Board of Directors

/s/ Meena L. Elliott

Vice President, General Counsel and Secretary

September 27, 2010

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on November 9, 2010 This proxy statement and our 2010 Annual Report are available at http://www.proxydocs.com/AVNW

Your vote is important regardless of the number of shares you own. The Board of Directors urges you to show your support for Aviat by signing, dating and delivering the enclosed WHITE proxy card by mail (using the enclosed postage-paid envelope), as promptly as possible or by voting electronically or by telephone as described in the attached proxy statement. If you have any questions or need assistance in voting your shares, please contact our proxy solicitor, Georgeson Inc., toll-free at (800) 733-6198.

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AVIAT NETWORKS, INC.

PROXY STATEMENT

FOR THE ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON NOVEMBER 9, 2010

This proxy statement ("Proxy Statement") applies to the solicitation of proxies by the Board of Directors ("Board") of Aviat Networks, Inc. (which we refer to as "Aviat," the "Company," "we," "our," and "ours") for use at the 2010 Annual Meeting of Stockholders, to be held at 2:30 p.m., local time, November 9, 2010, and any adjournments or postponements thereof. The annual meeting will be held at our facilities located at 5200 Great America Parkway, Santa Clara, California. The telephone number at that location is (408) 567-7000. These proxy materials will be available over the Internet, and for those that have requested to receive the materials in hard copy, the proxy materials are being mailed on or about September 29, 2010 to our stockholders entitled to notice of and to vote at the annual meeting.

ABOUT THE MEETING

What is the purpose of the meeting?

The purpose of the 2010 Annual Meeting of Stockholders is to obtain stockholder action on the matters outlined in the notice of meeting included with this Proxy Statement. All holders of shares of common stock of record at the close of business on September 22, 2010 are entitled to notice of and to vote at the Annual Meeting and all adjournments or postponements thereof. Our stockholders will vote to elect eight directors and ratify the appointment by our Audit Committee of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2011. In addition, management will report on its 2010 performance and respond to stockholders' questions at the annual meeting.

What is the record date, and who is entitled to vote at the meeting?

The record date for the stockholders entitled to vote at the annual meeting is September 22, 2010. The record date was established by the Board as required by the Delaware General Corporation Law, or DGCL, and our Bylaws. Owners of record of shares of our common stock at the close of business on the record date are entitled to receive notice of the annual meeting and to vote at the annual meeting, and at any adjournments or postponements thereof. You may vote all shares that you owned as of the record date.

What are the voting rights of the holders of Aviat common stock at the meeting?

Each outstanding share of our common stock is entitled to one vote on each matter considered at the annual meeting. As of the record date of September 22, 2010, the number of outstanding shares of common stock was 59,341,106.

Who can attend the Annual Meeting?

Subject to space availability, all stockholders as of the record date, or their duly appointed proxies, may attend the meeting. Since seating is limited, admission to the meeting will be on a first-come, first-served basis.

If your shares are held in "street name" (that is, through a bank, broker or other holder of record) and you wish to attend the annual meeting, you must bring a copy of a bank or brokerage statement reflecting your stock ownership as of the record date to the annual meeting.

How do I vote?

Stockholders of record can direct their votes by proxy as follows:

- *Via the Internet:* Stockholders may submit voting instructions to the proxy holders through the Internet by following the instructions included with the proxy card.

- *By Telephone:* Stockholders may submit voting instructions to the proxy holders by telephone by following the instructions included with the proxy card.
- *By Mail:* Stockholders may sign, date and return proxy cards in the pre-addressed, postage-paid envelope that will be provided if a printed proxy statement is requested.
- *At the Meeting:* If you attend the annual meeting, you may vote in person by ballot, even if you have previously returned a proxy card.

If you are the beneficial owner of shares held in street name, the nominee holding your shares will send you separate instructions describing the procedure for voting your shares. Street name stockholders who wish to vote at the meeting will need to obtain a proxy form from the institution that holds their shares.

Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials this year instead of a full set of proxy materials?

Pursuant to SEC rules, we have provided access to our proxy materials over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the "Notice") to our stockholders of record and beneficial owners. All stockholders will have the ability to access the proxy materials on a website referred to in the Notice or request a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the Notice. In addition, stockholders may request delivery of annual meeting proxy materials in printed form by mail or electronically by email on an ongoing basis.

How can I access the proxy materials and annual report on the Internet?

This Proxy Statement, the form of proxy card, the Notice and our annual report on SEC Form 10-K for the fiscal year ended July 2, 2010 are available at www.proxydocs.com/AVNW.

Why are we soliciting proxies?

In lieu of personally attending and voting at the annual meeting, you can appoint a proxy to vote on your behalf. We are soliciting your vote so all shares of our common stock may be voted at the annual meeting and have designated proxy holders to whom you may submit your voting instructions. The proxy holders for the annual meeting are Meena L. Elliott, Vice President, General Counsel and Secretary, and Carol Goudey, Treasurer and Assistant Secretary.

How do I revoke my proxy?

If the shares of common stock are held in your name, you may revoke your proxy given pursuant to this solicitation at any time before your shares are voted by:

- delivering a written notice of revocation to the Company's Secretary, Meena Elliott, at 5200 Great America Parkway, Santa Clara, CA 95054;
- executing and delivering a proxy card bearing a later date to the Company's Secretary at the same address;
- submitting another proxy by Internet or telephone (the latest dated proxy will control); or
- attending the annual meeting and voting in person.

If your shares are held in street name, you should follow the directions provided by the nominee institution that holds your shares regarding proxy revocation. Your attendance at the annual meeting after having executed and delivered a valid proxy card will not in and of itself constitute revocation of your proxy.

What vote is required to approve each item?

The director nominees will be re-elected by a plurality of the votes cast. Our stockholders may not cumulate votes in the re-election of the director nominees. The director nominees receiving the highest number of affirmative votes of the shares present in person or by proxy at the annual meeting and entitled to vote will be elected.

Ratification of the selection by our Audit Committee of Ernst & Young LLP as our independent registered public accounting firm requires the affirmative vote of the majority of the stockholders present in person or by proxy at the annual meeting and entitled to vote.

What constitutes a quorum, abstention, and broker "non-votes"?

The presence at the annual meeting either in person or by proxy of a majority of the outstanding shares of our common stock will constitute a quorum for the transaction of business at the annual meeting.

Under the DGCL, an abstaining vote and a broker "non-vote" are counted as present and are, therefore, included for purposes of determining whether a quorum of shares is present at the annual meeting. An abstention occurs when a stockholder does not vote for or against a proposal but specifically abstains from voting. A broker "non-vote" occurs when a broker or other nominee holding shares in street name for a beneficial owner signs and submits a proxy or votes with respect to shares of common stock held in a fiduciary capacity, but does not vote on a particular matter because the nominee does not have the discretionary voting power with respect to that matter and has not received instructions from the beneficial owner or because the broker elects not to vote on a matter as to which it does have discretionary voting power. Under the rules governing brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on routine matters, but not on non-routine matters. The election of our directors is a non-routine matter and the ratification of the selection of our independent public accounting firm is a routine matter. With respect to Proposal No. 1, which requires a plurality vote, abstentions and broker "non-votes" will have no effect. With respect to Proposal No. 2 (ratification of the selection of our independent registered public accounting firm), which requires the affirmative vote of a majority of the shares present at the meeting and entitled to vote, broker "non-votes" will have no effect on the number of votes cast or on whether the appointment is ratified because broker "non-votes" are excluded from the tabulation of votes cast, but abstentions will have the same effect as a negative vote because they will be counted as a vote cast with respect to the proposal but not counted as a vote for ratification.

Who pays for the cost of solicitation?

We will bear the entire cost of solicitation, including the preparation, assembly, printing, and mailing of this Proxy Statement, the proxy card, and any additional solicitation materials that may be furnished to our stockholders and the maintenance and operation of the website providing Internet access to these proxy materials. We will reimburse brokerage firms and other custodians, nominees, and fiduciaries for reasonable expenses incurred in sending proxy materials to beneficial owners of our common stock and maintaining the Internet access for such materials and the submission of proxies. We may supplement the original solicitation of proxies by mail, by solicitation by telephone, telegram, or other means by our directors, officers and employees. No additional compensation will be paid to these individuals for any such services.

In addition, the Company has retained Georgeson Inc. to assist in the solicitation of proxies. The Company has agreed that Georgeson will be paid a fee of $30,000, plus reimbursement for their reasonable out-of-pocket expenses. The Company has also agreed to indemnify Georgeson against certain liabilities and expenses, including certain liabilities and expenses under the federal securities laws.

What is the deadline for submitting proposals and director nominations for the 2011 Annual Meeting?

Stockholder Nominations and Proposals. In order for any stockholder nominations or proposals to be considered properly brought before our 2011 annual meeting, a stockholder of record must submit a written notice thereof which must be received by our Secretary at the address of our principal executive offices, not less than 60 days nor more than 90 days prior to the meeting. However, in the event that we give less than 70 days prior notice or public disclosure of the annual meeting date, the notice must be received by our Secretary at the address noted above no less than 10 days following the date of our notice or public disclosure of the meeting. The full requirements for the notice for nominations and proposals are in Article II, Sections 13 and 14, respectively, of our Bylaws, which are available for review at our website, www.aviatnetworks.com. In addition, if a stockholder wishes the proposal or nomination to be considered for inclusion in our proxy materials for the 2011 annual meeting

under SEC Rule 14a-8 or 14a-11, written notice thereof must be received by our Secretary at the address noted above by May 30, 2011.

The proxies to be solicited by the Board for the 2011 annual meeting will confer discretionary authority on the proxy holders to vote on any stockholder proposal presented at such annual meeting if the Company fails to receive notice of such stockholder's proposal for the meeting in accordance with the periods specified above.

Who will count the votes?

Georgeson Inc. will tabulate the votes cast by proxy. The Company has retained an independent inspector of elections in connection with Aviat's solicitation of proxies for the Annual Meeting. Aviat intends to notify shareholders of the results of the solicitation for the Annual Meeting by issuing a press release, which it will also file with the SEC as an exhibit to a Current Report on Form 8-K.

CORPORATE GOVERNANCE

We believe in and are committed to sound corporate governance principles. Consistent with our commitment to and continuing evolution of corporate governance principles, we adopted a Code of Business Ethics, Governance and Nominating Committee, Audit Committee and Compensation Committee charters and corporate governance guidelines. Each of our Board committees is required to conduct an annual review of its charter and applicable guidelines.

Board Members

The authorized size of our Board of Directors is currently eight. Directors are nominated by the Governance and Nominating Committee of the Board. All current directors have held office as directors since January 26, 2007, the date of the contribution by Harris Corporation of the Microwave Communications Division of Harris, or MCD, and our merger with Stratex Networks, Inc., or Stratex. The Board is chaired by Mr. Kissner.

Name	Title and Positions
Charles D. Kissner	Director, Chairman of the Board and Chief Executive Officer
Eric C. Evans	Director
William A. Hasler	Director
Clifford H. Higgerson	Director
Dr. Mohsen Sohi	Director
Dr. James C. Stoffel	Lead Independent Director
Edward F. Thompson	Director

The Board has determined that as of the date of this Proxy Statement, each of our current directors and director nominees except Mr. Kissner has no material relationship with the Company and is independent in accordance with listing rules of the NASDAQ stock market (the "NASDAQ Listing Rules").

All directors are requested to attend the annual meeting of stockholders. All of our directors attended last year's annual meeting.

Board and Committee Meetings and Attendance

During fiscal year 2010, the Board held 11 meetings. Each of our board members attended at least 80 percent of the total number of Board meetings and at least 90 percent of the total number of meetings of the committee or committees on which the member served during the fiscal year.

Board Member Qualifications

Our Board believes that its members should encompass a range of talent, skill and expertise enabling it to provide sound guidance with respect to the Company's operations and interest. Our Board prefers a variety of

professional experiences and backgrounds among its members and in addition to considering a candidate's experiences and background, candidates are reviewed in the context of the current composition of the Board and evolving needs of our businesses. In particular, the Board has sought to include members that have experience in establishing, growing and leading communications companies in senior management positions and serving on the board of directors of other companies. In determining that each of the members of the Board is qualified to be a director, the Board has relied on the attributes listed below and, where applicable, on the direct personal knowledge of each of the members' prior service on the Board.

Directors' Biographies

The following is a brief description of the business experience and background of each current director and nominee for director, including the capacities in which each has served during the past five years:

Mr. Charles D. Kissner, age 63, currently serves as our Chairman of the Board and Chief Executive Officer. Mr. Kissner served as Chief Executive Officer of Stratex from July 1995 through May 2000, and again from October 2001 to May 2006. He was elected a director of Stratex in July 1995 and Chairman in August 1996, a position which he held through 2006. Mr. Kissner also served as Vice President and General Manager of M/A-COM, Inc., a manufacturer of radio and microwave communications products, from July 1993 to July 1995. Prior to that, he was President and CEO of Aristacom International Inc., a communications software company, and Executive Vice President and a Director of Fujitsu Network Switching, Inc. He also held a number of executive positions at AT&T (now Alcatel-Lucent). Mr. Kissner currently serves on the board of directors of Shoretel, Inc., an IP business telephony systems company. He served on the board of directors of SonicWALL, Inc., a provider of Internet security solutions, and Meru Networks Inc., a provider of advanced enterprise wireless networking systems. Mr. Kissner also serves on the Advisory Board of Santa Clara University's Leavey School of Business, and on the board of Northern California Public Broadcasting, a non-profit organization.

Mr. Kissner brings extensive knowledge of our company's business, having served on our Board as non-executive Chairman for over three years. He also brings nearly fifteen years of relevant chief executive officer experience having served in that capacity at technology driven companies Digital Microwave Corporation (a predecessor company to Stratex), and Aristacom. Mr. Kissner also brings extensive public company directorship and committee experience to the Board which has been an invaluable resource as our company regularly assesses its corporate governance, corporate compliance and risk management obligations. Mr. Kissner has also directly supervised nearly thirty merger and acquisition activities, which experience has been vital to our company in the assessment and integration of acquisition opportunities.

Mr. Eric C. Evans, age 57, is the former Chairman of the Board of Directors, Chief Executive Officer, and Representative Executive Director of D&M Holdings Inc., a leading provider of premium consumer audio and video electronics. He is presently Senior Advisor to D&M. He is also an industrial partner at Ripplewood Holdings LLC, a private equity firm. Prior to joining Ripplewood in November 2005, Mr. Evans was President and Chief Operating Officer of Diebold, Inc., a global technology product and services company. He held this position with Diebold from 2004 to 2005. Prior to 2004, Mr. Evans was a Group Vice President in the Climate Technologies business of Emerson Electric Co., an industrial technology and engineering leader. Beginning in 1987, Mr. Evans served in a variety of senior executive roles for Emerson's Copeland Division including President of International, President — Air Conditioning, Senior Vice President, and Chief Financial Officer.

Mr. Evans's prior service as a senior operating executive of large publicly traded and technology driven companies, including as Chairman and Chief Executive Officer of D& M, President and Chief Operating Officer of Diebold, and his 30 years of experience provide him with an extensive knowledge base of complex management, financial, operational and governance issues faced by public companies with global operations. His broad based experience brings a wealth of important knowledge and expertise related to general management, strategic planning, operations, corporate finance, international marketing, and new product introductions. His broad based education and training have also provided him with knowledge and experience relevant to our business.

Mr. William A. Hasler, age 68, served as a member of the Stratex board of directors from August 2001 through January 2007, and was Chairman of the Nominating and Corporate Governance Committee and a member of the Audit Committee. Mr. Hasler served as Chairman of the Board of Directors of Solectron Corporation from 2003 to

2007 and was a member of that board from 1998 to 2007. He was co-Chief Executive Officer and a Director of Aphton Corp., a biopharmaceutical company, from 1998 to 2003. From 1991 to 1998, Mr. Hasler was Dean of both the Graduate and Undergraduate Schools of Business at the University of California, Berkeley. Prior to his deanship at UC Berkeley, Mr. Hasler was Vice Chairman of KPMG Peat Marwick. Mr. Hasler also serves on the boards of Ditech Networks Corp., a supplier of telecommunications equipment, Globalstar, Inc., a supplier of satellite communication services, and Mission West Properties Inc., a REIT engaged in the management, leasing, marketing, development and acquisition of commercial R&D properties. He is also a trustee of the Schwab Funds.

Mr. Hasler's current and prior service on the boards of several technology-driven companies, including Ditech and Globalstar, and his prior service as Chairman of a large publicly traded company provide him with an extensive knowledge base of complex management, financial, operational and governance issues faced by public companies with international operations. He is a member of the audit committee of various public and private companies. Mr. Hasler has extensive experience in Silicon Valley companies and this experience brings our Board important knowledge and expertise related to corporate finance and accounting, strategic planning, manufacturing, and operations. He brings valuable financial expertise, including extensive knowledge of accounting, auditing and investments in both public and private companies. Additionally, through his service on public company boards, Mr. Hasler has gained an understanding and expertise in public company governance.

Mr. Clifford H. Higgerson, age 70, served as a member of the Stratex board of directors from March 2006 to January 2007 and served on the Compensation and Strategic Business Development Committees. He has more than 40 years experience in research, consulting, planning and venture investing primarily in the telecommunications industry, with an emphasis on carrier systems and equipment. In 2006, he became a partner with Walden International, a global venture capital firm focused on four key industry sectors: communications, electronics/digital consumer, software and IT services, and semiconductors. Mr. Higgerson was a founding partner of ComVentures from 1986 to 2005, and has been a general partner with Vanguard Venture Partners since 1991. He currently serves as a member of the board of directors of Kotura Inc., Hatteras Networks Inc., Xtera Communications Inc., World of Good, Ygnition Networks, Inc. and Geronimo Windpower.

Mr. Higgerson has more than 35 years of experience in research, consulting, planning and venture investing. He has served on the boards of other public companies and served as a Chair of the Audit Committee for publicly listed companies. His prior Board experience and his experience in research, strategic planning and corporate finance in technology driven companies provide him with extensive knowledge of complex issues involved in new product development, strategic planning, financial and governance issues faced by publicly listed companies. His extensive experience with private equity firms and investing provides him with critical experience related to capital raising, economic analysis and mergers and acquisitions.

Dr. Mohsen Sohi, age 51, currently serves as managing partner of Freudenberg & Co. of Germany. From 2003 through May 2010, Dr. Sohi served as President and Chief Executive Officer of Freudenberg-NOK, a privately-held joint venture partnership between Freudenberg and NOK Corp. of Japan, the world's largest producer of elastomeric seals and custom molded products for automotive and other applications. From 2001 through 2003 he served as President, Retail Store Automation Division, NCR Corporation. From 1986 through 2001 he served in various key positions at Honeywell/Allied Signal Inc., including President, Honeywell Electronic Materials and President, Honeywell Commercial Vehicle Systems. Dr. Sohi currently serves on the board of directors of Steris Corporation, a provider of infection prevention and contamination control products and services, and is also a member of its Audit Committee. He previously served on the board of directors of Hayes Lemmerz International, Inc., a leading worldwide producer of aluminum and steel wheels for cars and trucks.

Dr. Sohi's current and prior service as a senior executive officer with large technology driven companies with international operations provide him with an extensive knowledge base of complex management, financial, operational and governance issues faced by public companies with global operations. His engineering, technical and business education has also provided him with knowledge and experience related to research and development, new product introductions, strategic planning, manufacturing, operations, and corporate finance. Dr. Sohi also has gained an understanding of public company governance and executive compensation through his service on public company boards.

Dr. James C. Stoffel, age 64**,** currently serves as our lead independent director. Presently, Dr. Stoffel is on the Board of Directors of Harris Corporation, of which he has been a member since August 2003, and is also a member of its Finance Committee and the Management Development and Compensation Committee. Additionally, he serves as an Executive Partner of Trillium Group, LLC and is a senior advisor to other private equity companies. Prior to his retirement, Dr. Stoffel was Senior Vice President, Chief Technical Officer and Director of Research and Development of Eastman Kodak Company. He held this position from 2000 to April 2005. He joined Kodak in 1997 as Vice President and Director, Electronic Imaging Products Research and Development, and became Director of Research and Engineering in 1998. Prior to joining Kodak, he was with Xerox Corporation, where he began his career in 1972. His most recent position with Xerox was Vice President, Corporate Research and Technology. Dr. Stoffel is also a trustee of the George Eastman House museum. He serves on the Advisory Board for Research and Graduate Studies at the University of Notre Dame and is a member of the advisory board of the Applied Science and Technology Research Institute, Hong Kong.

Dr. Stoffel's prior service as a senior executive of large, publicly traded, technology driven companies, and his more than 30 years experience focused on technology development, provide him with an extensive knowledge of complex technical research and development projects, management, financial and governance issues faced by a public company with international operations. This experience brings our Board important knowledge and expertise related to research and development, new product introductions, strategic planning, manufacturing, operations, and corporate finance. His experience as an advisor to private equity firms also provides him with additional knowledge related to strategic planning, capital raising, mergers and acquisitions and economic analysis. Dr. Stoffel also has gained an understanding of public company governance and executive compensation through his service on public company boards, including as a lead independent director.

Mr. Edward F. Thompson, age 72, served as a member of the Stratex board of directors from November 2002 through January 2007, where he was Chairman of the Audit Committee, and served on the Nominating and Corporate Governance Committee. Mr. Thompson has been a consultant to Fujitsu Labs of America. From 1976 to 1994, he held various positions at Amdahl Corporation, a multinational manufacturer of large scale computer systems, including Chief Financial Officer and Corporate Secretary, as well as Chairman and CEO of Amdahl Capital Corporation. Mr. Thompson also held positions at U.S. Leasing International, Inc., Computer Sciences Corporation, International Business Machines and Lockheed Missiles and Space Company. Mr. Thompson has contributed as a director or advisor to a number of companies including Fujitsu, Ltd. and several of its subsidiaries, and SonicWALL Inc., a provider of Internet security solutions. He is currently a member of the board of directors of Shoretel, Inc., an IP business telephony systems company, and InnoPath Software, Inc. He is on the Advisory Boards of Diamondhead Ventures, LLP, and Santa Clara University's Leavey School of Business.

Mr. Thompson brings a high level of financial literacy to the Board and substantial public company directorship and committee experience. He is currently designated as an audit committee financial expert and is the audit committee chair on both public company boards on which he is a member, as well as privately held InnoPath Software. Mr. Thompson's experience with accounting principles, financial reporting rules and regulations, evaluating financial results and generally overseeing the financial reporting process of publicly traded companies makes him an invaluable asset to the Board. Mr. Thompson also brings to the Board significant experience in international operations based upon his past experience as a senior advisor to Fujitsu, as a director of several Fujitsu subsidiaries and portfolio companies and as chief financial officer of Amdahl.

Raghavendra Rau, age 61, is a nominee standing for election to the Board of Directors at the 2010 Annual Meeting. Mr. Rau has not previously served as a director of Aviat Networks. Mr. Rau is a strategic advisor specializing in global marketing and business strategy and venture capital and market development for high-technology, early revenue companies. Mr. Rau currently serves on the Marketing Advisory Board of Cleversafe, Inc., a provider of dispersed data storage technologies, on the Strategic Advisory Board of IOCOM Integrated Communications, a provider of software and related services to companies, research labs, and government institutions and on the Board of Directors of Microtune, Inc., a provider of radio frequency integrated circuits, digital signal processing integrated circuits and subsystem module solutions for the cable, automotive, entertainment, electronics and digital television markets, and SeaChange International Inc., a manufacturer of digital video systems and provider of related services to cable, telecommunications and broadcast television companies worldwide. Mr. Rau served as Senior Vice President of the Mobile TV Solutions Business of Motorola, Inc.

("Motorola"), a provider of technologies, products and services in the communications industry, from May 2007 until January 2008, and as Senior Vice President of Strategy and Business Development, Networks & Enterprise of Motorola from March 2006 until May 2007. Mr. Rau served as Corporate Vice President of Global Marketing and Strategy for Motorola from 2005 until 2006 and as Corporate Vice President, Marketing and Professional Services, from 2001 until 2005. From October 1992 until 2001, Mr. Rau served in various positions within Motorola, including as Vice President of Strategic Business Planning and Vice President of Sales and Operations and held positions in Asia and Europe. Mr. Rau is a former Chairman of the QuEST Forum, a collaboration of service providers and suppliers dedicated to telecom supply chain quality and performance, and was a Director of the Center for Telecom Management at the University of Southern California. Mr. Rau also served on the Motorola Partnership Board of France Telecom. Mr. Rau holds a Bachelor's degree in Engineering from the University of Mysore, India and an MBA from the Indian Institute of Management in Ahmedabad.

Mr. Rau's financial and business expertise, including a diversified background in global marketing and business strategy and venture capital and market development for communications and high-technology companies, provides him with the qualifications and skills to serve as a director.

Agreement with Certain Entities and Individuals Associated with Ramius LLC

On September 14, 2010, the Company entered into an agreement (the "Agreement") with certain entities and individuals associated with Ramius LLC (collectively, the "Ramius Group"), as further described in the Form 8-K filed by the Company with the Securities and Exchange Commission on September 16, 2010.

Pursuant to the Agreement, the Company agreed to nominate one individual recommended by the Ramius Group who is independent of the Ramius Group for election to the Board at the 2010 annual meeting of stockholders.

The Ramius Group agreed to support the Company's Board nominations at the 2010 annual meeting. Additionally, the Ramius Group agreed to certain limited standstill restrictions which will expire ten business days prior to the deadline for nominations of directors for election at the Company's 2011 annual meeting, but in any event no later than one year from the date of the Agreement.

After review by the Company's Governance and Nominating Committee, the Board nominated Mr. Rau, who was previously recommended by the Ramius Group, for election as a director.

Board Leadership

The Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board as the Board believes it is in the best interests of the Company to make that determination based on the position and direction of the Company and the membership of the Board. When the CEO also serves as Chairman of the Board, our Corporate Governance Guidelines provide for the appointment of a lead independent director. Accordingly, when our Chairman Charles Kissner was appointed CEO, the Board appointed James Stoffel, an independent director, as lead independent director, with the following duties and responsibilities:

- Advise the Chairman of the Board as to an appropriate schedule of board meetings, seeking to ensure that independent directors can perform their duties while not interfering with the flow of company operations;
- Provide the Chairman of the Board with input as to the preparation of the agendas for board and committee meetings;
- Advise the Chairman of the Board as to the quality, quantity and timeliness of the flow of information from management that is necessary for the independent directors to effectively and responsibly perform their duties; although management is responsible for the preparation of materials for the board, the lead independent director may specifically request the inclusion of certain material;
- Interview, along with the Nominating Committee, all Board candidates and make recommendations to the Nominating Committee and the Board;

- Preside at all meetings of the board at which the Chairman of the Board is not present (including executive sessions of independent directors);
- Coordinate, develop the agenda for, and preside at executive sessions of the independent directors; the lead director shall have the authority to call meetings of independent directors;
- If requested by major shareholders and if determined by the Board as appropriate, be available for consultation and direct communication with such shareholders;
- Evaluate, along with the members of the Compensation Committee and the full Board, the Chief Executive Officer's performance and meet with the Chief Executive Officer to discuss the Board's evaluation; and
- Consult with the Corporate Governance Committee regarding the membership of various board committees, as well as selection of committee chairs.

The Board believes that appointing a lead independent director to serve along with our combined Chief Executive Officer and Chairman of the Board has enhanced the Board's oversight of, and independence from, Company management, the ability of the Board to carry out its roles and responsibilities on behalf of our stockholders and our overall corporate governance.

Combination of Board Chairman and Chief Executive Officer

Each year, the Board elects one of its members to serve as Chairman. The Board reviews its governance structure and the qualifications of each director and determines which director is best qualified to chair the Board. At the present time the Board believes that the Chief Executive Officer is best qualified to chair the Board. The Board believes that the Company's ongoing commitment to good governance practices, its strong focus on an independent Board of Directors, the frequent use of executive sessions at Board meetings and for all Board committees, and the robust role the Company requires of its lead independent director all mitigate the potential negative aspects of combining the Chairman and Chief Executive Officer positions.

The Board's Role in Risk Oversight

Assessing and managing risk is the responsibility of the management of the Company. The Board, through the Governance and Nominating Committee, oversees and reviews certain aspects of the Company's risk management efforts, focusing on the adequacy of the Company's risk management and risk mitigation processes. At the Board's request, management proposed a process for identifying, evaluating and monitoring material risks and such process has been approved by the Board and is currently in effect. This risk management program is overseen by senior management who, in connection with their regular review of the overall business, identify and prioritize a broad range of material risks (e.g., financial, strategic, compliance and operational). Senior management also discusses mitigation plans to address such material risks. Prioritized risks and management's plans for mitigating such risks are regularly presented to the full Board for discussion and in order to ensure monitoring. In addition to the risk management program, the Board encourages management to promote a corporate culture that incorporates risk management into the Company's corporate strategy and day-to-day business operations.

A discussion of risk factors in the Company's compensation design can be found below under the heading "Risk Considerations in Our Compensation Program".

Board of Directors Committees

Our Board of Directors maintains an Audit Committee, a Compensation Committee and a Governance and Nominating Committee. During fiscal year 2010 and effective November 19, 2009, our former combined Governance and Nominating Committee was separated into two committees: the Corporate Governance Committee and the Nominating Committee. Effective September 1, 2010, the Corporate Governance Committee and Nominating Committee were re-combined to form the Governance and Nominating Committee.

Copies of the charters for the Audit Committee, the Compensation Committee and the Governance and Nominating Committee are available on our website www.investors.aviatnetworks.com/documents.cfm.

The following table shows, for fiscal year 2010, the Chairman and members of each committee, the number of committee meetings held and the principal functions performed by each committee.

Committee	Number of Meetings in Fiscal 2010	Members	Principal Functions
Audit	17	Edward F. Thompson* Eric C. Evans William A. Hasler	• Selects our independent registered public accounting firm • Reviews reports of our independent registered public accounting firm • Reviews and pre-approves the scope and cost of all services, including all non-audit services, provided by the firm selected to conduct the audit • Monitors the effectiveness of the audit process • Reviews management's assessment of the adequacy of financial reporting and operating controls • Monitors corporate compliance program
Compensation	10	Dr. James C. Stoffel* Clifford H. Higgerson Dr. Mohsen Sohi	• Reviews our executive compensation policies and strategies • Oversees and evaluates our overall compensation structure and programs
Corporate Governance Committee**	2	William A. Hasler* Charles D. Kissner Clifford H. Higgerson	• Develops and implements policies and practices relating to corporate governance • Reviews and monitors implementation of our policies and procedures • Reviews the process by which management identifies and mitigates key areas of risk and reviews critical risk areas with the Board of Directors

Committee	Number of Meetings in Fiscal 2010	Members	Principal Functions
Nominating Committee** . . .	1	Clifford H. Higgerson* Dr. James C. Stoffel William A. Hasler	• Assists in developing criteria for open positions on the Board of Directors • Reviews and recommends nominees for election of directors to the Board. • Reviews and recommends policies, if needed for selection of candidates for directors

* Chairman of Committee

** Effective November 19, 2009, our former combined Governance and Nominating Committee was separated into two separate committees: the Corporate Governance Committee and the Nominating Committee. Prior to such separation, the members of the Governance and Nominating Committee were Messrs. Hasler (Chairman), Kissner and Higgerson and the committee had one meeting during fiscal year 2010. Effective September 1, 2010, the Corporate Governance Committee and Nominating Committee were re-combined to form the Governance and Nominating Committee and the members of such committee are Messrs. Hasler (Chairman), Higgerson and Stoffel.

Audit Committee

The Audit Committee is primarily responsible for selecting, and approving the services performed by, our independent registered public accounting firm, as well as reviewing our accounting practices, corporate financial reporting and system of internal controls over financial reporting. The Audit Committee currently consists of Messrs. Thompson (Chairman), Evans and Hasler. No material amendments to the Audit Committee Charter were made during fiscal year 2010. The Audit Committee is comprised of independent, non-employee members of our Board who are "financially sophisticated" under the NASDAQ Listing Rules.

The Board has determined that each of Messrs. Thompson and Hasler qualifies as an "audit committee financial expert," as defined under Item 407(d)(5)(i) of Regulation S-K under the Securities Act of 1933 and the Securities Exchange Act of 1934, but that status does not impose on either of them duties, liabilities or obligations that are greater than the duties, liabilities or obligations otherwise imposed on them as members of our Audit Committee and the Board.

Compensation Committee

The Compensation Committee has the authority and responsibility to approve our overall executive compensation strategy, to administer our annual and long-term compensation plans and to review and make recommendations to the Board regarding executive compensation. The Compensation Committee is comprised of independent, non-employee members of the Board in accordance with NASDAQ Listing Rules. During fiscal year 2010, the Compensation Committee utilized Towers Perrin (now Towers Watson) as an independent, third-party consulting firm, in connection with its review of executive compensation. The Compensation Committee no longer utilizes Towers Watson and has now retained Pearl Meyer & Partners as an independent, third-party consulting firm.

Compensation Committee Interlock and Insider Participation

The Compensation Committee currently consists of Messrs. Stoffel (Chairman), Higgerson and Sohi. None of these individuals is an officer or employee or former officer of the Company.

Governance and Nominating Committee

As noted above, during fiscal year 2010 and effective November 19, 2009, our former combined Governance and Nominating Committee was separated into two separate committees: the Corporate Governance Committee and the Nominating Committee. During fiscal year 2011 and effective September 1, 2010, the Corporate Governance Committee and Nominating Committee were re-combined to form the Governance and Nominating Committee. The Governance and Nominating Committee currently consists of Messrs. Hasler (Chairman), Higgerson, and Stoffel. Each member of the committee meets the independence requirements of the NASDAQ Listing Rules.

The Governance and Nominating Committee develops and implements policies and practices related to corporate governance consistent with sound corporate governance principles. The committee also reviews the process by which management identifies and mitigates key areas of risk and reviews critical risk areas with the Board.

The Governance and Nominating Committee also recommends candidates to the Board and periodically reviews whether a more formal selection policy should be adopted. There is no difference in the manner in which the committee members evaluate nominees for director based on whether the nominee is recommended by a stockholder. We currently do not pay a third party to identify or assist in identifying or evaluating potential nominees, although we may in the future utilize the services of such third parties.

In reviewing potential candidates for the Board, the Governance and Nominating Committee considers the individual's experience and background. Candidates for the position of director should exhibit proven leadership capabilities, high integrity, exercise high level responsibilities within their chosen career, and possess an ability to quickly grasp complex principles of business, finance, international transactions and communications technologies. In general, candidates who have held an established executive level position in business, finance, law, education, research, government or civic activity will be preferred.

While the Governance and Nominating Committee has not adopted a formal diversity policy with regard to the selection of director nominees, diversity is one of the factors that the committee considers in identifying director nominees. When identifying and recommending director nominees, the committee views diversity expansively to include, without limitation, concepts such as race, gender, national origin, differences of viewpoint, professional experience, education, skill and other qualities or attributes that contribute to board diversity. As part of this process, the committee evaluates how a particular candidate would strengthen and increase the diversity of the Board in terms of how that candidate may contribute to the Board's overall balance of perspectives, backgrounds, knowledge, experience, skill sets and expertise in substantive matters pertaining to the Company's business.

In making its recommendations, the Governance and Nominating Committee bears in mind that the foremost responsibility of a director of a corporation is to represent the interests of the stockholders as a whole. The committee intends to continue to evaluate candidates for election to the Board on the basis of the foregoing criteria.

Stockholder Communications with the Board

Stockholders who wish to communicate directly with the Board may do so by submitting a comment via the Company's website at http://www.investors.aviatnetworks.com/contactBoard.cfm or by sending a letter addressed to: Aviat Networks, Inc., c/o Corporate Secretary, 5200 Great America Parkway, Santa Clara, CA 95054. The Corporate Secretary monitors these communications and provides a summary of all received messages to the Board at its regularly scheduled meetings. When warranted by the nature of communications, the Corporate Secretary will request prompt attention by the appropriate committee or independent director of the Board, independent advisors, or management. The Corporate Secretary may decide in her judgment whether a response to any stockholder communication is appropriate.

Code of Conduct

We implemented our Code of Conduct effectively on January 26, 2007. All of our employees, including the Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer, are required to abide by the Code of Conduct to help ensure that our business is conducted in a consistently ethical and legal manner. The Audit Committee has adopted a written policy, and management has implemented a reporting system, intended to encourage our employees to bring to the attention of management and the Audit Committee any complaints regarding the integrity of our internal system of controls over financial reporting, or the accuracy or completeness of financial or other information related to our financial statements.

TRANSACTIONS WITH RELATED PERSONS

During fiscal 2010, we believe there were no transactions, or series of similar transactions, to which we were or are to be a party in which the amount exceeded $120,000, and in which any of our directors or executive officers, any holders of more than 5% of our common stock or any members of any such person's immediate family, had or will have a direct or indirect material interest, other than compensation described in the sections titled "Director Compensation and Benefits" and "Executive Compensation".

It is the policy and practice of our Board to review and assess information concerning transactions involving related persons. Related persons include our directors and executive officers and their immediate family members. If the determination is made that a related person has a material interest in a transaction involving us, then the disinterested members of our Board would review and approve or ratify it, and we would disclose the transaction in accordance with SEC rules and regulations. If the related person is a member of our Board, or a family member of a director, then that director would not participate in any discussion involving the transaction at issue.

Our Code of Conduct prohibits all employees, including our executive officers, from benefiting personally from any transactions with us other than approved compensation benefits.

DIRECTOR COMPENSATION AND BENEFITS

The form and amount of director compensation is reviewed and assessed from time to time by the Compensation Committee with changes, if any, recommended to the Board for action. Director compensation may take the form of cash, equity, and other benefits ordinarily available to directors.

Directors who are not employees of ours currently receive the following fees, as applicable, for their services on our Board:

- $60,000 basic annual cash retainer, payable on a quarterly basis, which a director may elect to receive in the form of shares of common stock;
- $10,000 annual cash retainer, payable on a quarterly basis, for service as Chairman of the Board;
- $10,000 annual cash retainer, payable on a quarterly basis, for service as Chairman of the Audit Committee;
- $5,000 annual cash retainer, payable on a quarterly basis, for service as Chairman of the Corporate Governance Committee of our Board;
- $5,000 annual cash retainer, payable on a quarterly basis, for service as Chairman of the Nominating Committee of our Board;
- $8,000 annual cash retainer, payable on a quarterly basis, for service as Chairman of the Compensation Committee;
- Annual grant of shares of common stock valued (based on market prices on the date of grant) at $30,000, with 100 percent vesting in one year, subject to continuing service as a director;
- Annual grant of options to purchase common stock valued (based on U.S. GAAP values of the options on the date of grant) at $30,000, with an exercise price per share equal to the market prices on the date of grant and with 100 percent vesting in one year, subject to continuing service as a director;
- Annual grant of shares of common stock, for service as Chairman of the Board, valued (based on market prices on the date of grant) at $40,000, with a one-year vesting period with 25 percent of the grant vesting per quarter; and
- $18,000 annual cash retainer, payable on a quarterly basis, for service as the lead independent director of our Board.

Directors are eligible to defer payment of all or a portion of the retainer fees and restricted stock awards that are payable to them. Directors may choose either a lump sum or installment distribution of such fees and awards. Installment distributions are payable in annual installments over a period no longer than 10 years.

We reimburse each non-employee director for reasonable travel expenses incurred and in connection with attendance at Board and committee meetings on our behalf, and for expenses such as supplies, continuing director education costs, including travel for one course per year. Employee directors are not compensated for service as a director.

Fiscal 2010 Compensation of Non-Employee Directors

Our non-employee directors received the following aggregate amounts of compensation in respect of the fiscal year ended July 2, 2010.

Name	Fees Earned or Paid in Cash	Stock Awards(1)	Option Awards(1)	Non-Equity Incentive Plan Compensation	Changes in Pension Value and Non-Qualified Deferred Compensation Earnings	All Other Compensation	Total
	($)	($)	($)	($)	($)	($)	($)
Eric C. Evans	64,000	29,996	28,427	—	—	—	122,423
William A. Hasler	74,000	29,996	28,427	—	—	—	132,423
Clifford H. Higgerson	70,500	29,996	28,427	—	—	—	128,923
Charles D. Kissner	70,000	69,998	28,427	—	—	—	168,425
Dr. Mohsen Sohi	61,000	29,996	28,427	—	—	—	119,423
Dr. James C. Stoffel	72,000	29,996	28,427	—	—	—	130,423
Edward F. Thompson	74,000	29,996	28,427	—	—	—	132,423

(1) The amounts shown in this column reflect the aggregate grant date fair value of the stock awards granted to our non-employee directors computed in accordance with U.S. generally accepted accounting principles. The assumptions made in determining the fair values of our stock awards are set forth in Notes B and M to our fiscal 2010 Consolidated Financial Statements in Part II, Item 8 of our Annual Report on Form 10-K filed with the SEC on September 9, 2010.

As of July 2, 2010, our non-employee directors held the following numbers of unvested restricted shares of common stock and stock options granted under the 2007 Stock Equity Plan, as Amended and Restated Effective November 19, 2009:

Name	Unvested Stock Awards	Unvested Option Awards
Eric C. Evans	4,457	8,720
William A. Hasler	4,457	8,720
Clifford H. Higgerson	4,457	8,720
Charles D. Kissner	6,152	8,720
Dr. Mohsen Sohi	4,457	8,720
Dr. James C. Stoffel	4,457	8,720
Edward F. Thompson	4,457	8,720

Indemnification

Our Bylaws require us to indemnify each of our directors and officers with respect to their activities as a director, officer, or employee of ours, or when serving at our request as a director, officer, or trustee of another corporation, trust, or other enterprise, against losses and expenses (including attorney fees, judgments, fines, and amounts paid in settlement) incurred by them in any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, to which they are, or are threatened to be made, a party(ies) as a result of their service to us. In addition, we carry directors' and officers' liability insurance, which includes

similar coverage for our directors and executive officers. We will indemnify each such director or officer for any one or a combination of the following, whichever is most advantageous to such director or officer:

- The benefits provided by our Bylaws in effect on the date of the indemnification agreement or at the time expenses are incurred by the director or officer;
- The benefits allowable under Delaware law in effect on the date the indemnification bylaw was adopted, or as such law may be amended;
- The benefits available under liability insurance obtained by us; and
- Such benefits as may otherwise be available to the director or officer under our existing practices.

Under our Bylaws, each director or officer will continue to be indemnified even after ceasing to occupy a position as an officer, director, employee or agent of ours with respect to suits or proceedings arising from his or her service with us.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of our common stock as of September 22, 2010 by each person or entity known by us to beneficially own more than 5 percent of our common stock, by our directors, by our named executive officers and by all our directors and executive officers as a group. Except as indicated in the footnotes to this table, and subject to applicable community property laws, the persons listed in the table below have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them. Unless otherwise indicated, the address of each of the beneficial owners identified is c/o Aviat Networks, Inc., 5200 Great America Parkway, Santa Clara, CA 95054. As of September 22, 2010, there were 59,341,106 shares of our common stock outstanding.

	Shares Beneficially Owned as of September 22, 2010(1)	
	Number of Shares of Common Stock(2)	**Percentage of Voting Power of Common Stock**
Name and Address of Beneficial Owner		
Ramius LLC 599 Lexington Avenue, 20th Floor New York, New York 10022	4,528,806(3)	7.63%
BlackRock Global Investors 55 East 52nd Street New York, New York 10055	3,177,336(4)	5.35%
NAMED EXECUTIVE OFFICERS AND DIRECTORS		
Harald J. Braun	276,543(5)	*
Thomas L. Cronan, III	160,745(6)	*
Meena L. Elliott	58,433(7)	*
Eric C. Evans	30,591	*
William A. Hasler	37,809	*
Clifford H. Higgerson	167,666(8)	*
Paul A. Kennard	213,878(9)	*
Charles D. Kissner	281,126(10)	*
Michael Pangia	168,027(11)	*
Dr. Mohsen Sohi	29,270	*
Dr. James C. Stoffel	29,121	*
Edward F. Thompson	31,621	*
All directors and executive officers as a group (15 persons)	1,782,441(12)	3.0%

* Less than one percent

(1) Beneficial ownership is determined under the rules and regulations of the SEC, and generally includes voting or dispositive power with respect to such shares.

(2) Shares of common stock that a person has the right to acquire within 60 days are deemed to be outstanding and beneficially owned by that person for the purpose of computing the total number of shares beneficially owned by that person and the percentage ownership of that person, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person or group. Accordingly, the amounts in the table include shares of common stock that such person has the right to acquire within 60 days of September 22, 2010 by the exercise of stock options.

(3) The address and number of shares of common stock beneficially owned by Ramius LLC is based on Schedule 13-D as filed with the Securities and Exchange Commission on September 16, 2010.

(4) Based upon Form 13F filings by BlackRock, Inc. and its affiliates with the Securities and Exchange Commission on August 12, 2010, reporting ownership of 1,774,754 shares by BlackRock Investment Trust Company, N.A., 1,402,582 shares by BlackRock Fund Advisors, 203,437 shares by BlackRock Investment Management LLC, 875 shares by BlackRock, Inc. and 629 shares by BalckRock Japan Co. Ltd.

(5) Includes options to purchase 276,543 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 22, 2010.

(6) Includes options to purchase 66,126 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 22, 2010.

(7) Includes options to purchase 27,669 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 22, 2010.

(8) Includes options to purchase 6,250 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 22, 2010. Includes 107,895 shares held by, or in trusts for, members of Mr. Higgerson's family. Also includes 24,400 shares held by Higgerson Investments. Mr. Higgerson disclaims beneficial ownership of the shares held in trust and held by Higgerson Investments.

(9) Includes options to purchase 151,082 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 22, 2010.

(10) Includes options to purchase 186,250 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 22, 2010.

(11) Includes options to purchase 64,819 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 22, 2010.

(12) Includes options to purchase 960,094 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 22, 2010.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee currently consists of three members of the Board, each of whom is independent of the Company and its management, as defined in the NASDAQ Listing Rules. The Board has adopted, and periodically reviews, the Audit Committee charter. The charter specifies the scope of the Audit Committee's responsibilities and how it carries out those responsibilities.

The Audit Committee reviews management's procedures for the design, implementation, and maintenance of a comprehensive system of internal controls over financial reporting and disclosure controls and procedures focused on the accuracy of our financial statements and the integrity of our financial reporting systems. The Audit Committee provides the Board with the results of its examinations and recommendations and reports to the Board as it may deem necessary to make the Board aware of significant financial matters requiring the attention of the Board.

The Audit Committee does not conduct auditing reviews or procedures. The Audit Committee monitors management's activities and discusses with management the appropriateness and sufficiency of our financial statements and system of internal control over financial reporting. Management has primary responsibility for the Company's financial statements, the overall reporting process and our system of internal control over financial reporting. Our independent registered public accounting firm audits the financial statements prepared by management, expresses an opinion as to whether those financial statements fairly present our financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States, or U.S. GAAP, and discusses with the Audit Committee any issues they believe should be raised with us.

The Audit Committee reviews reports from our independent registered public accounting firm with respect to their annual audit and approves in advance all audit and non-audit services provided by our independent auditors in accordance with applicable regulatory requirements. The Audit Committee also considers, in advance of the provision of any non-audit services by our independent registered public accounting firm, whether the provision of such services is compatible with maintaining their independence.

In accordance with its responsibilities, the Audit Committee has reviewed and discussed with management the audited financial statements for the year ended July 2, 2010 and the process designed to achieve compliance with Section 404 of the Sarbanes-Oxley Act of 2002. The Audit Committee has also discussed with our independent registered public accounting firm, Ernst & Young LLP, the matters required to be discussed by SAS No. 114, Communication with Audit Committees as adopted by the Public Company Accounting Oversight Board, or PCAOB, in Rule 3200T. The Audit Committee has received the written disclosures and letter from Ernst & Young LLP required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees as adopted by the PCAOB in Rule 3600T, and has discussed with Ernst & Young LLP its independence, including whether Ernst & Young LLP's provision of non-audit services is compatible with its independence.

Based on these reviews and discussions, the Audit Committee recommended to the Board that the Company's audited financial statements for the year ended July 2, 2010 be included in Company's Annual Report on Form 10-K.

Audit Committee of the Board of Directors

Edward F. Thompson, Chairman
Eric C. Evans
William A. Hasler

INDEPENDENT AUDITOR'S FEES

Ernst & Young LLP has been approved by our Audit Committee to act as our independent registered public accounting firm for the fiscal year ending July 1, 2011. Representatives of Ernst & Young LLP will be present at the 2010 Annual Meeting of Stockholders, will have opportunity to make a statement should they so desire, and will be available to respond to appropriate questions.

Audit and other fees billed to us by Ernst & Young LLP for the fiscal years ended July 2, 2010 and July 3, 2009 are as follows:

	2010	2009
Audit Fees(1)	$2,828,255	$3,363,464
Audit-Related Fees(2)	47,112	9,700
Tax Fees(3)	114,943	424,417
All Other Fees(4)	—	—
Total Fees for Services Provided	$2,990,310	$3,797,581

(1) Audit Fees include fees associated with the annual audit, as well as reviews of our quarterly reports on Form 10-Q, SEC registration statements, accounting and reporting consultations and statutory audits required internationally for our subsidiaries.

(2) Audit-related fees include fees for completion of certain statutory registration requirements.

(3) Tax Fees were for services related to tax compliance and tax planning services.

(4) No professional services were rendered or fees billed for other services not included within Audit Fees, Audit-Related Fees or Tax Fees for the fiscal year ended July 2, 2010.

Ernst & Young LLP did not perform any professional services related to financial information systems design and implementation for us in fiscal 2010 or fiscal 2009.

The Audit Committee has determined in its business judgment that the provision of non-audit services described above is compatible with maintaining Ernst & Young LLP's independence.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

This Compensation Discussion and Analysis, which has been prepared by management, is intended to help our stockholders understand our executive compensation philosophy, objectives, elements, policies, practices and decisions. It is also intended to provide context for the compensation information for our CEO, CFO and the three other most highly compensated executive officers (our "named executive officers") detailed in the Summary Compensation Table below, in the other tables and narrative discussion that follow.

Compensation Philosophy and Objectives

Our total executive compensation program was developed with primary objectives being recruiting, retaining and developing exceptional executives, enabling those individuals to achieve strategic and financial goals, rewarding superior performance and aligning the interests of our executives with our stockholders. The following principles guide our overall compensation program:

- Reward superior performance;
- Motivate our executives to achieve strategic, operational, and financial goals; and
- Enable us to attract and retain a world-class management team.

The Compensation Committee conducts an annual review of the executive compensation program in an effort to ensure our executive compensation policies and programs remain appropriately aligned with evolving business needs, and to consider best compensation practices.

Executive Compensation Process

The Compensation Committee has oversight responsibility for the establishment and implementation of compensation policies and programs for our executive officers in a manner consistent with our compensation objectives and principles. The Compensation Committee, which is comprised solely of independent directors, reviews and approves the features and design of our executive compensation program, and approves the compensation levels, individual objectives and financial targets for our executive officers other than our CEO. The Board of Directors approves the compensation level, individual objectives and financial targets for our CEO. The Compensation Committee also monitors executive succession planning and monitors our performance as it relates to overall compensation policies for employees, including benefit and retirement plans.

In carrying out its responsibilities, the Compensation Committee may engage outside consultants and consult with our Human Resources Department as well as internal and external legal or accounting advisors, as the Compensation Committee determines to be appropriate. The Compensation Committee considers recommendations from our CEO and senior management when making decisions regarding our executive compensation program and compensation of our executive officers. Following each fiscal year end, our CEO, assisted by our Human Resources Department, assesses the performance of all named executive officers and other officers. Following this annual performance review process, our CEO recommends base salary and incentive and equity awards for our named executive officers and other officers to the Compensation Committee. Based on input from our CEO and management, as well as from independent consultants, if any were used, the Compensation Committee determines what changes, if any should be made to the executive compensation program and either sets or recommends to the full Board the level of each compensation element for all of our officers.

Independent Compensation Consultant for Compensation Committee

The Compensation Committee has hired Pearl Meyer and Associates as an independent consultant. They provide no additional services to Aviat Networks. Pearl Meyer and Associates provides an annual review of the Company's compensation practices, reviews and makes recommendations regarding the compensation peer groups, and provides independent input to the Compensation Committee on programs and practices. The Company's management also utilizes external consultants at times to provide benchmark information.

Competitive Benchmarking

Our compensation program for all of our officers is addressed in the context of competitive compensation practices. Our management and Compensation Committee consider external data to assist in benchmarking total target compensation. For fiscal 2010, targets for total cash compensation (base salary and short-term incentive), long-term incentives and total direct compensation (base salary and short-term and long-term incentives) for all officers were set using a benchmark group of companies contained within the Executive Survey published by Radford, an Aon Consulting Company (the "Radford Survey") for technology companies with revenues between approximately half and approximately twice our revenue and available proxy statements. In determining compensation for our former CEO, Mr. Harald J. Braun, the Compensation Committee utilized the services of Towers Perrin (now Towers Watson) to provide advice and information to the Compensation Committee related to CEO compensation and prepared an assessment of the total direct compensation levels for the CEO position in the Radford Survey data and from publicly available proxy statements. The companies selected for benchmarking possessed the following attributes: business operations in the industries and businesses in which we participate, with revenues between approximately half and approximately twice our revenue, which compete for the same executive talent.

For fiscal 2010, the comparison group used for assessing the compensation of our CEO and our named executive officers included the following companies:

3COM Corp.	ADC Telecommunications, Inc.
ADTRAN Inc.	Arris Group Inc.
Avocent Corp.	Black Box Corp.
Blue Coat Systems Inc.	Brocade Communications Systems Inc.
Ciena Group	Comtech Telecommunications Corp.
Dycom Industries Inc.	Emulex Corp.
Extreme Networks Inc.	F5 Networks, Inc.
Finisar Corp.	Harmonic Inc.
Hughes Communications Inc.	Infinera Corp
Itron, Inc.	JDS Uniphase Corp.
Loral Space & Communications Ltd.	MasTec Inc.
NETGEAR, Inc.	Orbital Sciences Corp.
Palm Inc.	Plantronics Inc.
Polycom, Inc.	Powerwave Technologies Inc.
Tekelec	UTStarcom Inc.
ViaSat Inc.	

The Compensation Committee annually reviews the appropriateness of the comparison group used for assessing the compensation of our CEO and other named executive officers.

Total Compensation Elements

Our executive compensation program includes four major elements:

- base salary
- annual cash incentive
- long-term compensation — equity incentives
- post-termination compensation

Each named executive officer's performance is measured against factors such as long and short-term strategic goals and financial measures of our performance, including factors such as revenue, operating income, net income and cash flow from operations.

Our compensation policy and practice is to target total compensation levels for all officers, including our named executive officers, nominally at the 50th percentile for similar positions as derived from the Radford Survey and available proxy statements, assuming experience in the position and competent performance. The Compensation Committee may decide to target total compensation above or below the 50th percentile for similar positions in unique circumstances based on an individual's background, experience or position. Though compensation levels may differ among our named executive officers based upon competitive factors and the role, responsibilities and performance of each named executive officer, there are no material differences in our compensation policies or in the manner in which total direct compensation opportunity is determined for any of our named executive officers. Because our CEO has significantly greater duties, responsibilities and accountabilities than our other named executive officers, the total compensation opportunity for the CEO is higher than for our other named executive officers.

Base Salary

Base salaries are provided as compensation for day-to-day responsibilities and services to us. Executive salaries are reviewed annually. To determine compensation for fiscal year 2010, our CEO made recommendations regarding each named executive officer's base pay to the Compensation Committee in August 2009. The Compensation Committee considered each executive officer's responsibilities, as well as the Company's performance and recommended increases in base salary for select named executive officers and other officers. The

process and recommendations for fiscal year 2011 as compared to fiscal year 2010 was the same. The base salaries for fiscal 2010 for our named executive officers are set forth in the Summary Compensation Table.

Annual Cash Incentive

The short-term incentive element of our executive compensation program consists of an all cash-based Annual Incentive Plan, or AIP. Based on recommendations by the CEO, the Compensation Committee sets an annual incentive compensation target, expressed as a percentage of base salary, for each executive officer in August. The Compensation Committee recommends to the Board the target for our CEO at the same time. The Compensation Committee also establishes specific Company financial performance measures and targets including the relative weighting and payout thresholds. The financial targets are aligned with our Board-approved annual operating plan, and during the year periodic reports are made to the Board about our performance compared with the targets. Under the AIP, a significant portion of the executive's annual cash compensation is tied directly to our financial performance. Our Board may adjust the formula-based cash awards with respect to the awards to our CEO. Our CEO is authorized to adjust individual formula-based cash awards to recognize the unique contributions of each other executive officer. The target amount of annual incentive cash compensation under our AIP, expressed as a percentage of base salary, generally increases with an executive's level of management responsibility. AIP target cash incentive can represent 50% — 100% of the base cash compensation for our named executive officers. If performance results meet target levels, our executives can earn 100% of their target cash incentive. No cash incentive can be earned for performance below the minimum threshold; however, at 120% of target levels for revenue and 125% of target levels for operating income, executives can earn 200% of their target cash incentive.

For fiscal year 2010, the AIP contained minimum thresholds and payout ratios for both performance measures and assigned a weight of 50% to revenue and 50% to operating income. The target amounts were established in August 2009. The operating income performance measure included a condition that the Company achieve a positive operating cash flow per the statement of cash flows in its annual audited financial statements. Performance relative to each measure was evaluated independently (see Table 1, below), and the plan provided for zero payout unless Company performance met at least one target threshold percentage. The revenue target for fiscal year 2010, $707 million, was computed in accordance with generally accepted accounting principles, or GAAP. The operating income target for fiscal year 2010, $34.9 million, was computed based on GAAP results with certain non-GAAP adjustments approved by the Compensation Committee. Applying non-GAAP adjustments to the operating income focuses this part of the AIP incentive on more controllable aspects of the income statement.

Table 1

Annual Incentive Plan		Results-Driven Payout	
Metric	**Tiers**	**Performance (As % of Financial Target) (%)**	**Payout (As % of Award Target) (%)**
Revenue (50%)	Minimum Threshold	80	25
	Target	100	100
	Maximum Threshold	120	200
Operating Income* (50%)	Minimum Threshold	70	30
	Target	100	100
	Maximum Threshold	125	200

* Non-GAAP, with adjustments as stated in the Plan and approved by the Compensation Committee. Minimum cash gate: Positive operating cash flow per the statement of cash flows in annual audited financial statements.

The fiscal year 2010 AIP did not guarantee payout of the target amounts, and the Compensation Committee considered the revenue and operating income targets to be challenging. During the 2010 fiscal year AIP, we did not

achieve either minimum threshold for AIP awards and no AIP amount was presented to the Compensation Committee for approval. Consequently, no officer received an AIP payout.

Short-term incentive pay will continue to be a component of our total executive compensation program. For fiscal year 2011, the Compensation Committee recommended to the Board and the Board approved, that the metrics for the AIP would include an individual performance component and the weighting mix would consist of 40% based on revenue, 40% based on non-GAAP operating income and 20% based on individual performance. No cash incentive can be earned for performance below the minimum threshold and payouts (as percentages of the award target) are capped at 100%.

Long-Term Compensation — Equity Incentives

The Long-Term Incentive Plan ("LTIP") is one of the elements of our executive compensation program. The Compensation Committee uses this plan as a means for determining awards of stock options, stock appreciation rights, restricted shares, restricted stock units, performance shares, and other stock-based awards to our officers and other executives based on multi-year performance. All of the awards are granted under the 2007 Stock Equity Plan, as amended and restated (the "Plan").

Our LTIP is designed to motivate our executives to focus on achievement of our long-term financial goals. Performance share grants motivate our executives to achieve our long-term goals and to the extent our results affect our stock price, link such results with the performance of our stock over a three-year period. Using equity awards helps us to retain executives, encourage share ownership and maintain a direct link between our executive compensation program and the value and appreciation in the value of our stock. For fiscal year 2010, the Compensation Committee has authorized Long Term Incentive Plan awards that will provide incentives for performance through fiscal year 2012.

LTIP awards made in fiscal 2009, with a performance measurement period of fiscal years 2009-2011, were composed of 50% stock options and 50% performance-based restricted stock awards. The LTIP awards made in fiscal 2010, with a performance measurement period of fiscal years 2010-2012, were composed of 33⅓% stock options, 33⅓% service-based restricted stock and 33⅓% performance-based restricted stock awards. (In all cases, the proportions are measured by the estimated GAAP expense associated with the awards.) The stock options vest over a three-year period with 50% vesting on the first anniversary of grant and 25% on each of the following two anniversaries. The performance shares vest on the third anniversary of grant if the executive remains an employee and the Company threshold performance criterion has been achieved. The service-based restricted stock vests 33⅓% on each of the three following anniversaries of the award. The Committee believes that each type of equity component addresses different compensation objectives. Stock options provide a leverage opportunity and alignment with shareholder interests. Performance-based restricted stock awards encourage a stronger operational focus. Service-based restricted stock encourages retention of key executives.

Performance Shares. In general, the Compensation Committee determines the applicable multi-year performance criteria and plan cycle for performance share awards with a view to allowing the shares to be earned, if the performance criteria are met, at the end of each 3-year plan cycle. Under the fiscal year 2010 long-term equity incentive awards, performance shares are earned if 75% of target cash flow from operations is achieved. Cash flow from operations is calculated by applying GAAP principles, adjusted for certain Compensation Committee approved exclusions, which include items such as charges incurred for restructurings, impairments, and acquisitions. The maximum possible entitlement to performance shares will occur if 120% of the target is achieved. In addition, irrespective of Company performance versus target, there is no entitlement to performance shares unless the award recipient continues to be employed throughout the multi-year period. Performance shares are subject to repurchase by the Company at $0.01 per share if eligible employment ends during the performance measurement period and to the extent the maximum performance is not achieved during the performance measurement period. For fiscal year 2010, upon the recommendation of the Compensation Committee, the metrics were changed from 50% operating income and 50% return on invested capital to 100% cash flow from operations to more accurately reflect the performance of the business. For compensation planning purposes, awards of performance-based restricted stock are valued at the fair market value of the shares on the date of award, which is the closing price on the NASDAQ Global Market on that date, without reduction to reflect vesting or other conditions.

Table 2, below, outlines the metrics of the performance shares awarded in fiscal year 2010.

Table 2

Performance Share Plan Metric (July 4, 2009- June 29, 2012)	Tiers	Results-Driven Entitlement: Performance (As % of Financial Target) (%)	Results-Driven Entitlement: Entitlement (As % of Entitlement at Target) (%)
Cash Flow from Operations*	Threshold	75	80
	Target	100	100
	Maximum	120	150

* Non-GAAP, with adjustments as stated in the Plan and approved by the Compensation Committee.

Stock Options. Stock options directly align the interests of executives and shareholders as the options only result in gain to the recipient if our stock price increases above the exercise price of the options. In addition, options are intended to help retain key employees because they vest over a period of three years, and to assist hiring new executives by replacing the value of stock options that may have been forfeited as a result of leaving a former employer. Generally, options are granted with an exercise price equal to the fair market value of the common stock on the grant date, which is the closing price on the NASDAQ Global Market on that date. Typically, the Compensation Committee awards stock options that vest and become exercisable solely on the basis of continued employment, or other service, usually over three years, with 50 percent vesting on the first anniversary of the date of the grant and an additional 25 percent vesting on the second and third anniversaries of the date of the grant. Duration of stock options (subject to the terms of the Plan) is 7 years from grant date. For compensation planning purposes, awards of stock options are valued using the Black-Scholes valuation method, without reduction to reflect vesting or other conditions. In fiscal 2010, the Black-Scholes valuations were approximately 50% of the grant-date value of the shares subject to the option.

Service-Based Restricted Stock. Service-based restricted stock awards are awards of stock at the start of a vesting period which is subject to repurchase for nominal consideration if the specified vesting conditions are not satisfied. In addition to their use as a component of the LTIP, awards of service-based restricted stock may be made on a selective basis to individual executives primarily to facilitate retention and succession planning or to replace the value of equity awards that may have been forfeited as a result of the executive's leaving a former employer. For compensation planning purposes, awards of service-based restricted stock are valued at the fair market value of the shares on the date of award, which is the closing price on the NASDAQ Global Market on that date, without reduction to reflect vesting or other conditions. Typically, as in the case of the LTIP awards made in fiscal 2010, the Compensation Committee awards restricted stock that vest and become exercisable solely on the basis of continued employment, or other service, usually over three years, with 33⅓% vesting on the first anniversary of the date of the grant and an additional 33⅓% vesting on the second and third anniversaries of the date of the grant. Unvested shares are subject to repurchase by the Company at $0.01 per share if employment ends before the third anniversary of the grant date. Long-term incentive equity awards in fiscal 2011 are expected to be similarly structured.

Recovery of Executive Compensation

Our executive compensation program permits us to recover or "clawback" all or a portion of any performance-based compensation if our financial statements are restated as a result of errors, omissions or fraud. The amount which may be recovered will be the amount by which the affected compensation exceeded the amount that would have been payable had the financial statements been initially filed as restated, or any greater or lesser amount that the Compensation Committee or our Board shall determine. In no case will the amount to be recovered by us be less than the amount required to be repaid or recovered as a matter of law. Recovery of such amounts by us would be in addition to any actions imposed by law, enforcement agencies, regulators or other authorities.

Departure of a Former CEO

On June 29, 2010, Mr. Harald Braun departed from his position as Chief Executive Officer of the Company. Pursuant to his employment agreement, he received $450,000 and will be paid $1,390,000 over a 24-month period.

Stock Ownership Guidelines

While we do not have a minimum stock ownership requirement for members of the Board and our named executive officers, the corporate governance guidelines adopted by the Board encourage the ownership of our common stock.

Tax and Accounting Considerations

Tax Considerations. The Compensation Committee generally considers the federal income tax and financial accounting consequences of the various components of the executive compensation program in making decisions about executive compensation. The Compensation Committee believes that achieving the compensation objectives discussed above is more important than the benefit of tax deductibility and the executive compensation programs may, from time to time, limit the tax deductibility of compensation. Nevertheless, when not inconsistent with these objectives, the Compensation Committee endeavors to award compensation that will be deductible for income tax purposes. Internal Revenue Code Section 162(m) may limit the tax deductions that a public company can claim for compensation to some of its named executive officers. The Compensation Committee believes that performance-based compensation authorized and earned under our employee stock option plan including performance shares and option awards, qualify as performance-based compensation that would not be subject to deduction limitations under Section 162(m) and the applicable Treasury Regulations and therefore was or will be fully tax-deductible by the Company. Accordingly the Compensation Committee believes that no expense must be accrued on account of non-deductibility under Section 162(m). Section 409A of the Internal Revenue Code requires that "nonqualified deferred compensation" be deferred and paid under plans or arrangements that satisfy the requirements of the statute with respect to the timing of the deferral elections, timing of payments and certain other matters. As a general matter, it is our intention to design and administer our compensation and benefits plans and arrangements for all of our employees so that they are either exempt from, or satisfy the requirements of, Section 409A. We believe that currently we are operating such plans in compliance with Section 409A.

Accounting Considerations. The Compensation Committee also considers the accounting implications of various forms of executive compensation. In its financial statements, the Company records salaries and performance-based compensation such as bonuses as expenses in the amount paid or to be paid to the named executive officers. Accounting rules also require the Company to record an expense in its financial statements for equity awards, even though equity awards are not paid as cash to employees. The accounting expense of equity awards to employees is calculated in accordance with GAAP. The Compensation Committee believes that the many advantages of equity compensation, as discussed above, more than compensate for the non-cash accounting expense associated with them.

Retirement Benefits under the 401(k) Plan, Executive Perquisites, and Generally Available Benefit Programs

In fiscal year 2010, our named executive officers were eligible to participate in the health and welfare programs that are generally available to all full-time U.S.-based employees, including medical, dental, vision, life, short-term and long-term disability, employee assistance, flexible spending and accidental death and dismemberment. Except for allowances provided to former Stratex officers, such as a housing allowance, we do not provide perquisites to our named executive officers.

In addition, the named executive officers and all other eligible U.S.-based employees can participate in our tax-qualified 401(k) Plan. Under the 401(k) Plan, all eligible employees can receive matching contributions from the Company. Our company-matching contribution for the 401(k) Plan during fiscal year 2010 was 100 percent of the first five percent of contributions by the employee to the 401(k) Plan, to a maximum per participating employee of $22,000 for employees age 50 and over during each calendar year, as allowed by the IRS. We do not provide defined benefit pension plans or defined contribution retirement plans to the named executive officers or other employees

other than the 401(k) Plan, or as required in certain countries other than the United States, for legal or competitive reasons.

We adopted an employee stock purchase plan effective November 19, 2009 and commencing on July 3, 2010, under which named executive officers and all other eligible U.S.-based employees can elect, on a quarterly basis, to apply a portion of their cash compensation to purchase shares of our common stock at a 5% discount. An employee's total purchases in any year cannot exceed $25,000 in value or 15% of his or her salary, whichever is less. Furthermore, an employee may not purchase more than 608 shares of common stock annually under the employee stock purchase plan.

The 401(k) Plan, employee stock purchase plan and the other benefit programs allow us to remain competitive and enhance employee loyalty and productivity. These benefit programs are primarily intended to provide all eligible employees with competitive and quality healthcare, financial contributions for retirement and to enhance hiring and retention.

Post-Termination Compensation

Employment agreements have been established with each of our named executive officers. These agreements provide for certain payments and benefits to the employee if his or her employment with us is terminated. These arrangements are discussed in more detail on page 32. We have determined that such payments and benefits are an integral part of a competitive compensation package for our named executive officers. For additional information regarding our employment agreements with our named executive officers, see the discussion under "Potential Payments Upon Termination or Change of Control."

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis included in this Proxy Statement. Based on this review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended July 2, 2010.

Compensation Committee of the Board of Directors

Dr. James C. Stoffel, Chairman
Clifford H. Higgerson
Dr. Mohsen Sohi

Risk Considerations In Our Compensation Program

The Compensation Committee, pursuant to its charter, is responsible for reviewing and overseeing the compensation benefits structure applicable to our employees, generally. We do not believe that our compensation policies and practices for our employees give rise to risks that are reasonably likely to have a material adverse effect on our company. In reaching this conclusion, we considered the following factors:

- Our compensation program is designed to provide a mix of both fixed and variable incentive compensation.
- The variable portions of compensation (cash incentive and performance share) are designed to reward both annual performance (under the cash incentive plan) and longer-term performance (under the performance share plan). We believe this design mitigates any incentive for short-term risk-taking that could be detrimental to our company's long-term best interests.
- Our incentive compensation programs for officers reward a mix of different performance measures: namely, revenue, operating income and cash flow. We believe this mix of performance measures mitigates any incentive to seek to maximize performance under one measure to the detriment of performance under another measure. For example, if our management were to seek to increase sales by pursuing strategies that would negatively impact our profitability, any increase in the portion of annual cash incentive based on revenue would be offset by decreases in the portion of annual cash incentive based on operating profit and in the vesting of performance shares based on cash flow.

- Maximum payouts under both our annual cash incentive plan and our performance share plan are currently capped at 100% and 150% percent of target payouts, respectively. We believe these limits mitigate excessive risk-taking, since the maximum amount that can be earned is limited.

- Finally, our cash incentive plan and our long-term incentive plan both contain provisions under which awards may be recouped or forfeited if the recipient has not complied with our policies. In addition, our performance-based plans (cash incentive and performance shares) both contain provisions under which awards may be recouped or forfeited if the financial results for a period affecting the calculation of an award are later restated.

Summary Compensation Table

The following table summarizes the total compensation for each of our fiscal years ended July 2, 2010, July 3, 2009 and June 27, 2008 of our named executive officers, who consisted of our Chief Executive Officer, Chief Financial Officer, the next three other most highly compensated executive officers, and our former Chief Executive Officer, who would have been included in such table had he served as an executive officer as of July 2, 2010.

Name/Principal Position	Fiscal Year(1)	Salary(3) ($)	Bonus ($)	Stock Awards(4) ($)	Option Awards(5) ($)	Non-Equity Incentive Plan Compensation(6) ($)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings(7) ($)	All Other Compensation(8) ($)	Total ($)
Charles D. Kissner,	2010	13,365	—	69,998	28,427	—	—	479,839	591,629
Chief Executive Officer and	2009	—	—	59,997	—	—	—	506,410	566,407
Chairman of the Board(2)	2008	—	—	59,995	—	—	—	678,071	738,066
Harald J. Braun,	2010	695,000	—	933,336	462,999	—	—	1,895,504	3,986,839
former President, Chief	2009	695,000	—	699,994	605,949	200,000	—	15,836	2,216,779
Executive Officer and Director(2)	2008	160,385	—	100,000	—	131,876	—	92,128	484,389
Thomas L. Cronan III	2010	300,000	—	286,668	142,644	—	—	1,104	730,416
Senior Vice President and Chief Financial Officer	2009	46,154	—	215,000	188,906	6,875	—	50,212	507,147
Michael Pangia, Senior Vice President and Chief Sales Officer	2010	420,000	—	293,328	145,959	—	—	1,046	860,333
Paul A. Kennard,	2010	324,804	—	219,996	109,469	—	—	15,135	669,404
Senior Vice President and	2009	378,447	—	155,996	135,472	54,194	—	112,771	836,880
Chief Technology Officer	2008	325,000	—	—	—	149,213	—	204,702	678,915
Meena L. Elliott, Vice President, General Counsel and Secretary	2010	247,308	—	133,332	66,347	—	—	214,114	661,101

(1) Our 2010 fiscal year ended July 2, 2010, our 2009 fiscal year ended July 3, 2009 and our 2008 fiscal year ended June 27, 2008. The amounts in this table represent total compensation paid or earned for our fiscal year as included in our annual financial statements.

(2) Mr. Braun departed as President, Chief Executive Officer and Director effective June 29, 2010. Mr. Kissner, a non-employee member of our Board of Directors, was appointed Chairman and Chief Executive Officer effective June 28, 2010.

(3) The annual base salary for Mr. Kissner is $695,000. The amount in the Summary Compensation table for the fiscal year ended July 2, 2010 of $13,365 reflects the salary accrued for the period June 28, 2010 through July 2, 2010. The annual base salary for Mr. Cronan is $300,000. The amount in the Summary Compensation table for the fiscal year ended July 3, 2009 of $46,154 reflects the salary received for the period May 4, 2009 through July 3, 2009. The annual base salary for Mr. Braun was $695,000. The amount in the Summary Compensation table for the fiscal year ended June 27, 2008, $160,385, reflects the salary received for the period April 8, 2008 through June 27, 2008.

(4) The "Stock Awards" column shows the full grant date fair value of the performance shares (at target) and restricted stock granted in fiscal 2010, 2009 and 2008. The grant date fair value of the performance shares and restricted stock was determined under FASB ASC Topic 718 and represents the amount we would expense in our

financial statements over the entire vesting schedule for the awards. The grant date fair value for performance awards and restricted stock was based on the closing market price of our common stock on the respective award dates. The assumptions used for determining values are set forth in Notes B and M to our audited consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 2, 2010. These amounts reflect our accounting for these grants and do not correspond to the actual values that may be recognized by the named executive officers. The listed stock awards to Mr. Kissner were made to him as a non-employee member of our Board of Directors prior to his appointment as Chairman and CEO.

(5) The "Option Awards" column shows the full grant date fair value of the stock options granted in fiscal 2010, 2009 and 2008. The grant date fair value of the stock option awards was determined under FASB ASC Topic 718 and represents the amount we would expense in our financial statements over the entire vesting schedule for the awards. The assumptions used for determining values are set forth in Notes B and M to our audited consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 2, 2010. These amounts reflect our accounting for these grants and do not correspond to the actual values that may be recognized by the named executive officers.

(6) For the fiscal year ended July 2, 2010, no amounts were paid in respect of 2010 performance under the fiscal year 2010 AIP. For the fiscal year ended July 3, 2009, represents amounts paid in fiscal 2010 in respect of 2009 performance under the fiscal year 2009 AIP as though 90% of revenue target had been achieved with actual achievement of 87% of revenue target. For the fiscal year ended June 27, 2008, represents amounts paid in fiscal 2009 in respect of 2008 performance under the fiscal year 2008 AIP.

(7) We do not currently have our own pension plan or deferred compensation plan.

(8) The following table describes the components of the "All Other Compensation" column.

Name	Year	Life Insurance(a) ($)	Housing and Auto Allowance(b) ($)	Severance & Related Benefits(c) ($)	Commuting Expenses Reimbursed(d) ($)	Other Bonus(e) ($)	Fees Earned as Board of Director(f) ($)	Relocation Benefits(g) ($)	Company Matching Contributions Under 401(k) Plan(h) ($)	Tax Gross-Ups and Equalization(i) ($)	Total All Other Compensation ($)
Charles D. Kissner	2010	—	15,600	394,239	—	—	70,000	—	—	—	479,839
	2009	—	14,400	410,010	—	—	82,000	—	—	—	506,410
	2008	—	20,400	590,671	—	—	67,000	—	—	—	678,071
Harald J. Braun	2010	2,741	—	1,865,800	835	—	—	—	13,987	12,141	1,895,504
	2009	2,723	—	—	5,094	—	—	—	8,019	—	15,836
	2008	—	—	—	17,889	74,239	—	—	—	—	92,128
Thomas L. Cronan III	2010	1,104	—	—	—	—	—	—	—	—	1,104
	2009	212	—	—	—	50,000	—	—	—	—	50,212
Michael Pangia	2010	1,046	—	—	—	—	—	—	—	—	1,046
Paul A. Kennard	2010	2,260	—	—	—	—	—	—	12,875	—	15,135
	2009	3,858	6,900	—	—	10,000	—	—	7,136	84,877	112,771
	2008	3,664	76,800	—	—	100,000	—	—	24,238	—	204,702
Meena L. Elliott	2010	585	—	—	—	—	—	120,822	13,068	79,639	214,114

(a) Represents premiums paid for life insurance that represent taxable income for the named executive officer.

(b) Represents payments to Mr. Kissner under his former employment agreement with Stratex. Represents taxable amounts to Mr. Kennard paid under former Stratex compensation policies that carried forward after the merger on January 26, 2007.

(c) Represents severance payments to Mr. Kissner under his former employment agreement with Stratex. Represents severance benefits to Mr. Braun, our former chief executive officer under the terms of his employment agreement.

(d) Represents taxable amounts paid to this former chief executive officer under the terms of his employment contract and a one year extension of such benefits approved by the Board of Directors.

(e) Represents a sign-on bonus paid to each of Mr. Cronan and Mr. Braun and international assignment bonuses for Mr. Kennard.

(f) Represents compensation earned by Mr. Kissner as Chairman of the Board prior to being named chief executive officer.

(g) Represents taxable benefits paid in connection with the relocation of Ms. Elliott's household to Santa Clara, California from North Carolina.

(h) Represents matching contributions made by us to the account of the respective named executive's 401(k) Plan.

(i) Represents tax gross-up payments for Mr. Braun in fiscal 2010 relating to the taxable reimbursement of his commuting expenses during fiscal years 2010, 2009 and 2008. Represents tax gross-up payments for Ms. Elliott relating to her relocation to Santa Clara, California. Represents tax gross-ups and tax equalization payments to Mr. Kennard relating to his international assignment.

Grants of Plan-Based Awards in Fiscal 2010

The following table lists our grants and incentives during our fiscal year ended July 2, 2010 of plan-based awards, both equity and non-equity based and including our Annual Incentive Plan, to the named executive officers listed in the Summary Compensation Table. There is no assurance that the grant date fair value of stock and option awards will ever be realized.

		Estimated Possible Payouts Under Short-Term Non-Equity Incentive Plan Awards in Fiscal 2010(2)			Estimated Future Payments Under Long-Term Equity Incentive Plan Awards in Fiscal 2010(3)			All Other Stock Awards in Fiscal 2010			
Name	Grant Date(1)	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	Number of Shares of Stock or Units (4) (#)	Number of Securities Underlying Options (5) (#)	Exercise or Base Price of Option Awards ($/Share)	Fair Value of Stock and Option Awards (6)
Charles D. Kissner	09/01/09	—	—	—	—	—	—	6,780	—	—	40,002
	04/19/10	—	—	—	—	—	—	4,457	—	—	29,996
	04/19/10	—	—	—	—	—	—	—	8,720	6.73	28,427
Harald J. Braun	N/A	191,125	695,000	1,390,000	—	—	—	—	—	—	—
	11/12/09	—	—	—	62,222	77,778	116,667	—	—	—	466,668
	11/12/09	—	—	—	—	—	—	77,778	—	—	466,668
	11/12/09	—	—	—	—	—	—	—	156,076	6.00	462,999
Thomas L. Cronan III	N/A	45,375	165,000	330,000	—	—	—	—	—	—	—
	11/12/09	—	—	—	19,111	23,889	35,834	—	—	—	143,334
	11/12/09	—	—	—	—	—	—	23,889	—	—	143,334
	11/12/09	—	—	—	—	—	—	—	47,938	6.00	142,644
Paul A. Kennard	N/A	51,838	188,500	377,000	—	—	—	—	—	—	—
	11/12/09	—	—	—	14,666	18,333	27,500	—	—	—	109,998
	11/12/09	—	—	—	—	—	—	18,333	—	—	109,998
	11/12/09	—	—	—	—	—	—	—	36,789	6.00	109,469
Meena L. Elliott	N/A	34,375	125,000	250,000	—	—	—	—	—	—	—
	11/12/09	—	—	—	8,889	11,111	16,667	—	—	—	66,666
	11/12/09	—	—	—	—	—	—	11,111	—	—	66,666
	11/12/09	—	—	—	—	—	—	—	22,297	6.00	66,347
Michael Pangia	N/A	80,850	294,000	588,000	—	—	—	—	—	—	—
	11/12/09	—	—	—	19,555	24,444	36,666	—	—	—	146,664
	11/12/09	—	—	—	—	—	—	24,444	—	—	146,664
	11/12/09	—	—	—	—	—	—	—	49,052	6.00	145,959

(1) Awards of Common Stock under our 2007 Stock Equity Plan, as amended and restated effective November 19, 2009.

(2) The amounts shown under Estimated Possible Payouts Under Short Term Non-Equity Incentive Plan Awards reflect possible payouts under our fiscal 2010 Annual Incentive Plan. The actual amount earned by each named executive officer for fiscal 2010 pursuant to our 2010 Annual Incentive Plan is set forth in the Summary Compensation Table above under the column titled "Non-Equity Annual Incentive Plan Compensation."

(3) Performance share vesting may begin at 75 percent of the target level of cash flow from operations, as adjusted, and reaches maximum payout at financial performance at or above 120 percent of this target. The target (at which 100 percent vesting occurs) is $125.4 million of cash flow from operations, as adjusted, cumulatively for the three fiscal years in the period ending June 29, 2012. The shares may vest following the end of our 2012 fiscal year or June 29, 2012, based on continuous employment and achievement of performance results for the cumulative period from July 3, 2009 through the end of fiscal year 2012. Currently, performance shares have not vested for any officer.

(4) Restricted stock that vests in installments of 33⅓ percent one year from the grant date, 33⅓ percent two years from the grant date and 33⅓ percent three years from the grant date based on continuous employment through those dates. The listed stock awards to Mr. Kissner were made to him as a non-employee member of our Board of Directors prior to his appointment as Chairman and CEO.

(5) Stock options vest in installments of 50 percent one year from the grant date, 25 percent two years from the grant date, and 25 percent three years from the grant date. The listed stock option awards to Mr. Kissner were made to him as a non-employee member of our Board of Directors prior to his appointment as Chairman and CEO.

(6) The "Grant Date Fair Value of Stock and Option Awards" column shows the full grant date fair value of the performance shares (at target), restricted stock and stock options granted in fiscal 2010. The grant date fair value of the performance shares, restricted stock and stock options was determined under FASB ASC Topic 718 and represents the amount we would expense in our financial statements over the entire vesting schedule for the awards. The grant date fair value for performance awards and restricted stock was based on a grant price of $6.00, the closing market price of our common stock on November 12, 2009, the date which the awards were granted. The assumptions used for determining values are set forth in Notes B and M to our audited consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 2, 2010. These amounts reflect our accounting for these grants and do not correspond to the actual values that may be recognized by the named executive officers.

Outstanding Equity Awards at Fiscal Year-End 2010

The following table provides information regarding outstanding unexercised stock options and unvested stock awards held by each of our named executive officers as of July 2, 2010. Each grant of options or unvested stock awards is shown separately for each named executive officer. The vesting schedule for each award of options is shown in the footnotes following this table based on the option grant date. The material terms of the option awards, other than exercise price and vesting are generally described in our 2007 Stock Equity Plan, as amended and restated effective November 19, 2009.

	Option Awards						Stock Awards			
Name	[Awards Listed in Chronological Order] Award Grant Date	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that have not Vested (#)	Market Value of Shares or Units of Stock that have not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares Units or Other Rights that have not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that have not Vested ($)
Charles D. Kissner . . .	04/19/10	—	8,720(1)	—	6.73	04/19/17	—	—	—	—
	04/19/10	—	—	—	—	—	4,457(4)	15,600(5)	—	—
	09/01/09	—	—	—	—	—	1,695(4)	5,933(5)	—	—
	06/06/06	3,750(3)	—	—	16.04	06/06/13	—	—	—	—
	03/30/04	107,500(3)	—	—	17.52	03/30/11	—	—	—	—
	10/22/01	75,000(3)	—	—	24.40	10/22/11	—	—	—	—
Thomas L. Cronan III. .	11/12/09	—	47,938(2)	—	6.00	11/12/16	—	—	—	—
	11/12/09	—	—	—	—	—	23,889(4)	83,612(5)	—	—
	11/12/09	—	—	—	—	—	—	—	23,889(6)	83,612(5)
	05/04/09	42,157(2)	42,157(2)	—	4.59	05/04/16	—	—	—	—
	05/04/09	—	—	—	—	—	—	—	46,841(7)	163,944(5)
Michael Pangia.	11/12/09	—	49,052(2)	—	6.00	11/12/16	—	—	—	—
	11/12/09	—	—	—	—	—	24,444(4)	85,554(5)	—	—
	11/12/09	—	—	—	—	—	—	—	24,444(6)	85,554(5)
	03/30/09	40,293(2)	40,293(2)	—	4.05	03/30/16	—	—	—	—
	03/30/09	—	—	—	—	—	—	—	54,320(7)	190,120(5)
Paul A. Kennard	11/12/09	—	36,789(2)	—	6.00	11/12/16	—	—	—	—
	11/12/09	—	—	—	—	—	18,333(4)	64,166(5)	—	—
	11/12/09	—	—	—	—	—	—	—	18,333(6)	64,166(5)
	11/05/08	25,125(2)	25,126(2)	—	5.97	11/05/15	—	—	—	—
	11/05/08	—	—	—	—	—	—	—	26,130(7)	91,455(5)
	02/28/07	15,000(2)	—	—	20.40	02/28/14	—	—	—	—
	06/06/06	30,000(3)	—	—	16.04	06/06/13	—	—	—	—
	06/30/05	12,500(3)	—	—	6.88	06/30/12	—	—	—	—
	03/30/04	37,500(3)	—	—	17.52	03/30/11	—	—	—	—
Meena L. Elliott	11/12/09	—	22,297(2)	—	6.00	11/12/16	—	—	—	—
	11/12/09	—	—	—	—	—	11,111(4)	38,889(5)	—	—
	11/12/09	—	—	—	—	—	—	—	11,111(6)	38,889(5)
	11/05/08	8,214(2)	8,214(2)	—	5.97	11/05/15	—	—	—	—
	11/05/08	—	—	—	—	—	—	—	8,542(7)	29,897(5)
	02/28/07	4,200(2)	—	—	20.40	02/28/14	—	—	—	—

(1) Stock options were awarded to Mr. Kissner as a non-employee member of our Board of Directors prior to his appointment as Chairman and CEO. Stock options vest 100 percent on January 26, 2011.

(2) Stock options vest in installments of 50 percent one year from the grant date, 25 percent two years from the grant date and 25 percent three years from the grant date.

(3) These options were granted by Stratex, were assumed by us in the merger with Stratex and are fully vested.

(4) Restricted stock that vests in installments of 33⅓ percent one year from the grant date, 33⅓ percent two years from the grant date and 33⅓ percent three years from the grant date based on continuous employment through those dates. The listed stock awards to Mr. Kissner were made to him as a non-employee member of our Board of Directors prior to his appointment as Chairman and CEO. These awards vest in full one year from the grant date.

(5) Market value is based on the $3.50 closing price of a share of our common stock on July 2, 2010, as reported on the NASDAQ Global Market.

(6) Performance share vesting may begin at 75 percent of the target level of cash flow from operations, as adjusted, and reaches maximum payout at financial performance at or above 120 percent of this target. The target (at which 100 percent vesting occurs) is $125.4 million of cash flow from operations, as adjusted, cumulatively for the three fiscal years in the period ending June 29, 2012. The shares may vest following the end of our 2012 fiscal year or June 29, 2012, based on continuous employment and achievement of performance results for the cumulative period from July 3, 2009 through the end of fiscal year 2012. Currently, performance shares have not vested for any officer.

(7) Performance share vesting based on income from operations, as adjusted, may begin at 90 percent of the target level, and reaches maximum payout at financial performance at or above 120 percent this target. Performance share vesting based on return on invested capital, as adjusted, may begin at 75 percent of the target level, and reaches maximum payout at financial performance at or above 120 percent of this target. Fifty percent of the award is tied to achieving target levels of income from operations, as adjusted, and the remaining 50 percent is tied to achieving target levels of return on invested capital, as adjusted. The shares may vest following the end of our 2011 fiscal year or July 1, 2011, based on continuous employment and achievement of performance results for the cumulative period from June 28, 2008 through the end of fiscal year 2011. Currently, performance shares have not vested for any officer.

Option Exercises and Stock Vested in Fiscal 2010

The following table provides information for each of our named executive officers regarding (1) the number of shares of our common stock acquired upon the vesting of stock awards during fiscal 2010 and (2) the number of shares of Harris common stock acquired upon the vesting of stock awards during fiscal 2010. No options to purchase common stock were exercised during fiscal 2010.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Received on Vesting ($)
Charles D. Kissner	—	—	15,673	103,868(1)
Harald J. Braun	—	—	—	—
Thomas L. Cronan III	—	—	—	—
Paul A. Kennard	—	—	15,300	97,155(1)
Meena L. Elliott	—	—	500	17,520(2)
Michael Pangia	—	—	—	—

(1) Amount shown is the aggregate market value of the vested shares of restricted common stock on the vesting date. The amount shown for Mr. Kissner reflects awards made to him as a non-employee member of our Board of Directors prior to his appointment as Chairman and CEO.

(2) Amount shown is the aggregate market value of the restricted shares of common stock of Harris Corporation on the vesting date. These shares were granted in August 2006 prior to the merger with Stratex.

Equity Compensation Plan Summary

The following table provides information as of July 2, 2010, relating to our equity compensation plan pursuant to which grants of options, restricted stock and performance shares may be granted from time to time and the option plans and agreements assumed by us in connection with the Stratex acquisition:

Plan Category	Number of Securities to be Issued Upon Exercise of Options and Vesting of Restricted Stock and Performance Shares	Weighted-Average Exercise Price of Outstanding Options(1)	Number of Securities Remaining Available for Further Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity Compensation plan approved by security holders(2)	3,785,131	$ 6.92	6,593,588
Equity Compensation plans not approved by security holders(3)	1,150,751	$18.12	—
Total	4,935,882	$ 9.53	6,593,588

(1) Excludes weighted average fair value of restricted stock and performance shares at issuance date.

(2) Consists solely of our 2007 Stock Equity Plan, as amended and restated effective November 19, 2009.

(3) Consists of common stock that may be issued pursuant to option plans and agreements assumed pursuant to the Stratex acquisition. The Stratex plans were duly approved by the shareholders of Stratex prior to the merger with us. No shares are available for further issuance.

Potential Payments Upon Termination or Change of Control

Employment agreements have been established with each of the continuing named executive officers, which provide for such executives to receive certain payments and benefits if their employment with us is terminated. These arrangements are set forth in detail below assuming a termination event on July 2, 2010 based on our stock price on that date. The Board has determined that such payments and benefits are an integral part of a competitive compensation package for our executive officers.

The table below reflects the compensation and benefits due to each of the named executive officers in the event of termination of employment by us without cause or termination by the executive for good reason (other than within 18 months after a Change of Control, as defined below) and in the event of disability and in the event of termination of employment by us without cause or termination by the executive for good reason within 18 months after a Change of Control. The amounts shown in the table are estimates of the amounts that would be paid upon termination of employment. There are no compensation and benefits due to any named executive officer in the event of death (except in the case of Mr. Kissner), or of termination of employment by us for cause or voluntary termination. The actual amounts would be determined only at the time of the termination of employment.

Name	Conditions for Payouts	Number of Months (#)	Base per Month(1) ($)	Months Times Base ($)	Target Bonus(2) ($)	Total Severance Payments ($)	Accelerated Equity Vesting(3) ($)	Continuation of Insurance Benefit(4) ($)	Out-Placement Services(5) ($)	Total ($)
Charles D. Kissner	Termination without cause or for good reason or upon death or disability	From termination to June 28, 2012 or for 12 months after termination, whichever is longer	57,917	1,390,000	695,000	2,085,000	—	25,656	—	2,110,656
Thomas L. Cronan III	Termination without cause or for good reason, or due to disability	12	25,000	300,000	165,000	465,000	—	20,220	30,000	515,220
	Within 18 months after Change of Control	24	25,000	600,000	165,000	765,000	331,127	40,440	30,000	1,166,567

Name	Conditions for Payouts	Number of Months (#)	Base per Month(1) ($)	Months Times Base ($)	Target Bonus(2) ($)	Total Severance Payments ($)	Accelerated Equity Vesting(3) ($)	Continuation of Insurance Benefit(4) ($)	Out-Placement Services(5) ($)	Total ($)
Michael Pangia	Termination without cause or for good reason, or due to disability	12	35,000	420,000	294,000	714,000	—	20,220	30,000	764,220
	Within 18 months after Change of Control	24	35,000	840,000	294,000	1,134,000	331,228	40,440	30,000	1,535,668
Paul A. Kennard	Termination without cause or for good reason, or due to disability	12	27,067	324,804	188,500	513,304	—	6,912	30,000	550,216
	Within 18 months after Change of Control	24	27,067	649,608	188,500	838,108	219,786	13,824	30,000	1,101,718
Meena L. Elliott	Termination without cause or for good reason, or due to disability	12	20,833	250,000	125,000	375,000	—	12,732	30,000	417,732
	Within 18 months after Change of Control	24	20,833	500,000	125,000	625,000	107,674	25,464	30,000	788,138
Harald J. Braun(6)	Termination	24	57,917	1,390,000	—	1,840,000	641,675	44,042	—	2,525,717

(1) The monthly base salary represents the total gross monthly payments to each named executive officer at the current salary.

(2) The target bonus represents the maximum amount of a payout under the terms of the Annual Incentive Plan discussed in the Compensation Discussion and Analysis section of this Proxy Statement.

(3) Reflects acceleration of outstanding equity awards as of July 2, 2010. As of this date, no options had value since all option exercise prices were above the $3.50 per share market value as of July 2, 2010. The values in this column consist solely of the acceleration of unvested restricted and performance shares of common stock at $3.50 per share market value as of July 2, 2010.

(4) The insurance benefit provided is paid directly to the insurer benefit provider and includes amounts for COBRA.

(5) The estimated dollar amounts for Outplacement Services would be paid directly to an outplacement provider selected by us.

(6) Represents amounts payable to Mr. Braun under his employment contract due to his termination on June 29, 2010. Severance payments include amounts for two years based on his former salary of $695,000 plus an additional amount of $450,000 since termination occurred within three years of employment date. Accelerated vesting includes $367,897 for stock options and $273,778 for modification of the extended time of two years to exercise vested options.

Our employment agreement with Mr. Charles D. Kissner, our Chief Executive Officer and Chairman of the Board, includes the following provisions:

If he is terminated without cause or upon death or disability or should he resign for good reason and he (or his estate or personal representative, as applicable) signs a general release, he will be entitled to receive the following severance benefits:

- severance payments at his final base salary for a period (the “Severance Period”) starting on the date of his termination and ending on the later of (i) the first anniversary of his termination or (ii) June 28, 2012;
- payment of premiums necessary to continue his group health insurance under COBRA (or to purchase other comparable health coverage on an individual basis if he is no longer eligible for COBRA coverage) until the earlier of (i) the end of the Severance Period; or (ii) the date on which he first becomes eligible to participate in another employer’s group health insurance plan;
- the prorated portion of any incentive bonus he would have earned during the incentive bonus period in which his employment was terminated;
- any stock options or time-vested shares of restricted stock granted to him shall cease vesting upon his termination date, provided, however, for options granted subsequent to the date of his employment agreement, he will be entitled to purchase any vested shares subject to those options until the earlier of

12 months following the termination date or the date on which the applicable option(s) expire(s), provided, further, the Board of Directors may in its sole discretion provide for additional vesting of restricted shares or options upon termination.

The employment agreements with our other named executive officers define a "Change of Control" as follows:

- any merger, consolidation, share exchange or acquisition, unless immediately following such merger, consolidation, share exchange or acquisition of at least 50 percent of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the entity resulting from such merger, consolidation or share exchange, or the entity which has acquired all or substantially all of our assets (in the case of an asset sale that satisfies the criteria of an acquisition) (in either case, the "Surviving Entity"), or
- if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50 percent or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity is represented by our securities that were outstanding immediately prior to such merger, consolidation, share exchange or acquisition (or, if applicable, is represented by shares into which such Company securities were converted pursuant to such merger, consolidation, share exchange or acquisition), or
- any person or group of persons (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended and in effect from time to time) directly or indirectly acquires beneficial ownership (determined pursuant to SEC Rule 13d-3 promulgated under the said Exchange Act) of securities possessing more than 30 percent of the total combined voting power of our outstanding securities pursuant to a tender or exchange offer made directly to the our stockholders that the Board does not recommend such stockholders accept, other than: (i) an employee benefit plan of ours or any of our Affiliates; (ii) a trustee or other fiduciary holding securities under an employee benefit plan of our or any of our Affiliates; or (iii) an underwriter temporarily holding securities pursuant to an offering of such securities; or
- over a period of 36 consecutive months or less, there is a change in the composition of the Board such that a majority of the Board members (rounded up to the next whole number, if a fraction) ceases, by reason of one or more proxy contests for the election of Board members, to be composed of individuals each of whom meet one of the following criteria: (i) have been a Board member continuously since the adoption of this Plan or the beginning of such 36-month period; (ii) have been appointed by Harris; or (iii) have been elected or nominated during such 36-month period by at least a majority of the Board members that belong to the same Class of director as such Board member; and (iv) satisfied one of the above criteria when they were elected or nominated;
- a majority of the Board determines that a Change of Control has occurred; or
- the complete liquidation or dissolution of the Company.

Employment agreements are in effect for the other current named executive officers, which provide that if they are terminated without cause or should they resign for good reason or become disabled and they sign a general release they will be entitled to receive the following severance benefits:

- severance payments at their final base salary for a period of 12 months following termination;
- payment of premiums necessary to continue their group health insurance under COBRA (or to purchase other comparable health coverage on an individual basis if the employee is no longer eligible for COBRA coverage) until the earlier of (i) 12 months or (ii) the date on which they first became eligible to participate in another employer's group health insurance plan;
- the prorated portion of any incentive bonus they would have earned during the incentive bonus period in which their employment was terminated;
- any equity compensation subject to service-based vesting granted to the executive officer will stop vesting as of their termination date; however, they will be entitled to purchase any vested share(s) of stock that are

subject to the outstanding options until the earlier of: (i) 12 months; or (ii) the date on which the applicable option(s) expire; and

- outplacement assistance selected and paid for by us.

In addition, these agreements provide that if there is a Change of Control, and employment with us is terminated by us without cause or by the employee for good reason within 18 months after the Change of Control and they sign a general release of known and unknown claims in a form satisfactory to us, (i) the severance benefits described shall be increased by an additional 12 months; (ii) they will receive a payment equal to the greater of (a) the average of the annual incentive bonus payments received by them, if any, for the previous three years; or (b) their target incentive bonus for the year in which their employment terminates; and (iii) the vesting of all unvested stock option(s) and unvested equity-compensation awards subject to service-based vesting will accelerate, such that all of such stock option(s) and equity-compensation awards will be fully vested as of the date of their termination/resignation.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and persons who own more than 10 percent of a registered Class of the Company's equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Directors, executive officers and greater than 10 percent holders are required by SEC regulation to furnish us with copies of all Section 16(a) reports they file. Based solely on our review of Forms 3 and 4 received during fiscal 2010, and Forms 5 (or any written representations) received with respect to fiscal year 2010, we believe that all directors, officers, executive officers and 10 percent stockholders complied with all applicable Section 16(a) filing requirements during fiscal 2010.

PROPOSAL NO. 1:

ELECTION OF DIRECTORS

At the 2010 Annual Meeting of Stockholders, directors are being nominated for election to serve until the next annual meeting of stockholders or until their successors are duly elected and qualified, or until the death, resignation or removal of such director. In a Board meeting on September 1, 2010, following the recommendation of our Nominating Committee, the Board nominated Messrs. Kissner, Evans, Hasler, Higgerson, Sohi, Stoffel and Thompson as director nominees for election to serve on the Board following the annual meeting. Pursuant to the September 14, 2010 agreement between the Company and Ramius LLC and its affiliates, in a board meeting on September 22, 2010, following the recommendation of our Governance and Nominating Committee, the Board nominated Mr. Raghavendra Rau as a director nominee for election to serve on the Board following the annual meeting. Unless you attend the annual meeting in person and submit a ballot that indicates your intent to withhold your vote in favor of any or all of the director nominees listed below, or, in the alternative, submit a proxy card or other voting instructions, as the case may be, indicating your intention to withhold your vote in favor of any or all of the director nominees listed below, then your proxy will be voted "FOR" the election of each of the director nominees listed below.

The director nominees will be elected by plurality vote. In the unanticipated event that a nominee is unable or declines to serve as a director at the time of the annual meeting, all proxies received by the proxy holders will be voted for any subsequent nominee named by our current Board to fill the vacancy created by the earlier nominee's withdrawal from the election. As of the date of this Proxy Statement, the Board is not aware of any director nominee who is unable or will decline to serve as a director.

DIRECTORS

Name	Title	Age
Charles D. Kissner	Chairman of the Board and Chief Executive Officer	63
Eric C. Evans	Director	57
William A. Hasler	Director	68
Clifford H. Higgerson	Director	70
Raghavendra Rau	Director	61
Dr. Mohsen Sohi	Director	51
Dr. James C. Stoffel	Lead Independent Director	64
Edward F. Thompson	Director	72

Vote Required

Our directors will be elected from the persons nominated by the affirmative vote of holders of a plurality of our outstanding common stock present in person, or represented by proxy, at the annual meeting and entitled to vote.

RECOMMENDATION OF THE BOARD OF DIRECTORS

OUR BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE ELECTION OF EACH OF THE DIRECTOR NOMINEES AND UNANIMOUSLY RECOMMENDS A VOTE FOR EACH OF THE DIRECTOR NOMINEES

PROPOSAL NO. 2:

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board has appointed Ernst & Young LLP as our independent registered public accounting firm to audit our consolidated financial statements for the fiscal year ending July 1, 2011. During fiscal year 2010, Ernst & Young LLP served as our independent registered public accounting firm and provided certain tax and other audit related services.

Vote Required

Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending July 1, 2011 requires the affirmative vote of a majority of the shares of our common stock present in person or represented by proxy and entitled to vote at the meeting. If the appointment is not ratified, the Audit Committee will consider whether it should select another independent registered public accounting firm.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE COMPANY'S BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE AUDIT COMMITTEE'S APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE 2011 FISCAL YEAR

OTHER MATTERS

2010 Annual Report

Our annual report for the fiscal year ended July 2, 2010 will be available over the internet and is mailed along with the other proxy materials to all stockholders who request printed copies in the manner specified in the Notice in this Proxy Statement.

Form 10-K

We filed an annual report on Form 10-K for the fiscal year ended July 2, 2010 with the SEC on September 9, 2010. Stockholders may obtain a copy of the annual report on Form 10-K, without charge, by writing to our Secretary, at the address of our offices located at 5200 Great America Parkway, Santa Clara, California 95054, or through our website at www.aviatnetworks.com.

Other Business

The Board is not aware of any other matter that may be presented for consideration at the annual meeting. Should any other matter properly come before the annual meeting for a vote of the stockholders, the proxy holders will have authority to vote all proxies submitted to them at their discretion as to any matter of which we did not receive notice by September 13, 2010.

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

Form 10-K

(Mark One)

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

For the fiscal year ended July 2, 2010

or

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

Commission File Number 001-33278

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

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

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

HARRIS STRATEX NETWORKS, INC.
637 Davis Drive
Morrisville, North Carolina 27560
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	The NASDAQ Global Market

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

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

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

Indicate by check mark 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 ☐

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

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

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

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

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

As of December 31, 2009 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the registrant's Common Stock held by non-affiliates was approximately $403,167,000 based upon the closing price per share on The NASDAQ Global Market. For purposes of this calculation, the registrant has assumed that its directors and executive officers as of December 31, 2009 are affiliates.

The number of shares outstanding of the registrant's Common Stock as of August 27, 2010 was 59,400,021 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Shareholders scheduled to be held on or about November 9, 2010, which will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended July 2, 2010, are incorporated by reference into Part III of this Annual Report on Form 10-K.

AVIAT NETWORKS, INC.

ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended July 2, 2010

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including "Item 7. 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 weakness in the global economy affecting customer spending;*
- *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;*
- *retention of our key personnel*;
- *our ability to achieve business plans for Aviat Networks;*
- *our ability to manage and maintain key customer relationships;*
- *uncertain economic conditions in the telecommunications sector combined with operator and supplier consolidation;*
- *our future litigation costs and expenses;*
- *the ability of our subcontractors to perform or our key suppliers to manufacture or deliver material;*
- *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 this 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 Annual Report on Form 10-K.

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 Annual Report on Form 10-K. 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 Annual Report on Form 10-K or, in the case of any document incorporated by reference, the date of that document.

PART I

Item 1. *Business*

Aviat Networks, Inc., together with its subsidiaries, is a leading global supplier of turnkey wireless network solutions and comprehensive network management software, backed by an extensive suite of professional services and support. Aviat Networks, Inc. may be referred to as the "Company," "AVNW," "Aviat Networks," "we," "us" and "our" in this Annual Report on Form 10-K.

We were incorporated in Delaware in 2006 to combine the businesses of Harris Corporation's Microwave Communications Division ("MCD") and Stratex Networks, Inc. ("Stratex").

Our principal executive offices are located at 5200 Great America Parkway, Santa Clara, CA 95054, and our telephone number is (408) 567-7000. Our common stock is listed on the NASDAQ Global Market under the symbol AVNW. As of July 2, 2010, we employed approximately 1,380 people.

Recent Developments

We relocated our corporate headquarters in June 2010 from Morrisville, North Carolina to a 129,000-square foot environmentally sustainable facility in Santa Clara, California. The relocation follows our global re-branding effort as Aviat Networks, formerly Harris Stratex Networks, which we announced on January 28, 2010. We selected this particular facility because it fulfills our Green Initiative, a corporate commitment to minimizing the impact on the environment in all aspects of their business. The facility was completely renovated to adhere to green building standards and is in the process of qualifying for a Gold LEED (Leadership in Energy and Environmental Design) certification from the U.S. Green Building Council based on design and construction activities in each of the five LEED credit categories.

On June 28, we also announced the resignation of Harald J. Braun as president and chief executive officer and the appointment of Chuck Kissner as Chairman and chief executive officer. Mr. Kissner had previously been serving as our Chairman of the Board of Directors and is based at our headquarters in Santa Clara, California. We also appointed Dr. James C. Stoffel as Lead Independent Director as of June 28, 2010.

Overview and Description of Business by Segment

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, multiplexers, etc, necessary to build and deploy a wireless transmission network, and a full suite of turnkey support services. We offer a broad range of products and services through two reportable business segments based on geographical markets: North America and International. Revenue and other financial information regarding our business segments are set forth in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

North America Segment

The North America segment delivers microwave radio products and services to major national carriers and other cellular network operators, public safety and other government agencies, systems integrators, transportation and utility companies and other private network operators within North America. Our North American business is primarily to the cellular backhaul and public safety markets.

Our North America segment revenue represented approximately 37%, 34% and 34% of our total revenue for fiscal 2010, 2009 and 2008. Although, generally we sell products and services directly to our North American customers, we also use distributors to sell some products and services.

International Segment

The International segment delivers microwave radio products and services to regional and national carriers and other cellular network operators, public safety agencies, government and defense agencies, and other private network operators in every region outside of North America. Our wireless systems deliver regional and country-wide backbone in developing nations, where microwave radio installations provide 21st-century communications rapidly and economically. Rural communities, areas with rugged terrain and regions with extreme temperatures benefit from the ability to build an advanced, affordable communications infrastructure despite these challenges. A significant part of our international business consists of supplying wireless segments in small-pocket, remote, rural and metropolitan areas. High-capacity backhaul is one of the fastest growing wireless market segments and is a major opportunity for us. We see the increase in subscriber density and the forecasted growth and introduction of new bandwidth-hungry High Speed Packet Access (“HSPA”)/WiMAX/Long Term Evolution (“LTE”) mobile broadband services as major drivers for growth in this market.

Our International segment represented approximately 63%, 66% and 66% of our revenue for fiscal 2010, 2009 and 2008. We sell products and services directly to our international customers and also use agents and distributors.

Industry Background

Wireless transmission networks currently are constructed using microwave radios and other equipment to interconnect cell sites, switching systems, wireline transmission systems and other fixed access facilities. Wireless transmission networks range in size from a single transmission link connecting two buildings to complex networks comprising of thousands of wireless links. The architecture of a network is influenced by several factors, including the available radio frequency spectrum, coordination of frequencies with existing infrastructure, application requirements, environmental factors and local geography.

In recent years, there has been an increase in capital spending in the wireless telecommunications industry. The demand for high-speed wireless transmission products has been growing at a higher rate than the wireless industry as a whole. We believe that this growth is directly related to a growing global subscriber base for mobile wireless communications services, increased demand for fixed wireless transmission solutions and demand for new services delivered from next-generation networks capable of delivering broadband services. Major driving factors for such growth include the following:

- *Global wireless subscriber growth and introduction of new broadband mobile services.* The number of global wireless subscribers and minutes of use per subscriber are expected by industry analysts to continue to increase. The primary drivers include increased subscription and dramatic growth in demand for mobile broadband data services facilitated by the introduction of new data-driven smartphones like the iPhone and the Droid. These third-generation, or “3G,” data applications are now widely available in developed countries, which has fueled an acceleration of data usage. New mobile standards now being deployed, including High Speed Packet Access (HSPA) and mobile WiMAX, will further increase the demand for mobile data. We believe that growth as a result of new data services will continue for the next several years and persist with the introduction of the next generation of radio technologies, referred to as “4G” or LTE for mobile networks starting in 2011. These developments are driving many operators to upgrade their backhaul networks to 100% Internet Protocol, or IP-based, from the current traditional time-division multiplexing (“TDM”) networks in order to provide higher network capacity and increased flexibility at a lower overall operating cost.
- *Broadband Stimulus.* The American Recovery and Reinvestment Act (“ARRA”), widely known as the stimulus bill, allocates $7.2 billion in grant and loan funding for broadband/wireless initiatives for rural unserved and underserved geographies across the country. This funding is available to a wide variety of organizations to purchase and implement network infrastructure and services to improve broadband coverage. Aggressive stimulus timelines, combined with the rural-focus of stimulus projects may drive

increasing demand for wireless technologies including point-to-point microwave systems and point-to-multipoint WiMax. Other countries, such as Australia, are also implementing broadband programs with government funding to simultaneously develop rural broadband services and stimulate local economies.

Smart Grid. In addition to the broadband initiative, ARRA includes the Smart Grid Investment Grant Program (SGIG) which makes close to $4 billion available to utilities, rural electric cooperatives, distribution companies and system operators, for smart grid technologies, monitoring solutions and infrastructure, and viability analysis. Utility companies across the board are planning heavy investments in new private telecommunications network infrastructure to achieve smart grid objectives. Like broadband stimulus, aggressive smart grid timelines, combined with the rural nature of many utility assets (including substations, distribution lines and power generation facilities), may drive increasing demand for wireless technologies.

- *Increased establishment of mobile and fixed wireless telecommunications infrastructures in developing countries.* In many places, telecommunications services are inadequate or unreliable because of the lack of existing infrastructure. To service providers in developing countries seeking to increase the availability and quality of telecommunications and Internet access services, wireless solutions are an attractive alternative to the construction or leasing of wireline networks, given their relatively low cost and ease of deployment. As a result, there has been an increased establishment of mobile and fixed wireless telecommunications infrastructures in developing countries. Emerging telecommunications markets in Africa, Asia, the Middle East, Latin America and Eastern Europe are characterized by a need to build out basic telecommunications systems. We believe that WiMAX will play a key role in bringing broadband services to these countries which lack sufficient existing telecom infrastructure. Mobile operators are also looking at WiMAX deployments to augment or leverage their existing national networks to add new premium broadband residential and business customers to increase subscriber base and boost their average revenue per user.

- *Global deregulation of telecommunications market and allocation of radio frequencies for broadband wireless access.* Regulatory authorities typically allocate different portions of the radio frequency spectrum for various telecommunications services. Many countries have privatized the state-owned telecommunications monopoly and have opened their markets to competitive network service providers. Often these providers choose a wireless transmission service, which causes an increase in the demand for transmission solutions. Such global deregulation of the telecommunications market and the related allocation of radio frequencies for broadband wireless access transmission have led to increased competition to supply wireless-based transmission systems. Many governments and regulatory agencies around the world also are examining or are in the process of introducing new spectrum band licenses for the deployment of broadband services using WiMAX.

Recent Trends and Developments in the Industry

Other global trends and developments in the microwave communications markets include:

- continuing fixed-line to mobile-line substitution;

- the migration of existing telecommunications network infrastructure from legacy TDM technologies such as Synchronous Digital Hierarchy ("SDH")/Synchronous Optical Networking ("SONET") to high speed packet-based networks such as *Ethernet*/Internet Protocol ("IP")/Multiprotocol Label Switching "(MPLS"), etc. This migration is moving faster in some sectors, such as mobile networks, than others, but is a clear trend for the future that will drive significant network upgrades over the next three to five years;

- private networks and public telecommunications operators building high-reliability, high-bandwidth networks that are more secure and better protected against natural and man-made disasters;

- increase in global wireless subscribers; and

We believe that as broadband access and telecommunications requirements grow, wireless systems will continue to be used as transmission systems to support a variety of existing and expanding communications networks and applications. We believe that wireless systems will be used to address the connection requirements of

several markets and applications, including the broadband access market, cellular applications and private networks.

Strategy

Over the past year, we have made significant strides in transforming our business from a pure-play microwave backhaul supplier to a more diverse company that not only strives to be a leader in mobile backhaul but also one that supports a broad range of wireless transmission products and services for many applications. We offer and will continue to improve upon our end-to-end transmission solutions that deliver the network performance needed to support next generation services and enable a smooth transition from legacy networks to all IP.

Newer generation 4G technologies such as packet-based, WiMAX, and LTE require the need for high-speed packet infrastructures. To address their requirements, we intend to enhance our core product offering by continuing to build on the Eclipse platform and its end-to-end value proposition by including new components and technology. This includes adding new features to the Eclipse platform and leveraging technology in third party products to provide a complete IP network solution.

We look to retain our position as a wireless transmission technology leader with Eclipse by ensuring our capabilities anticipate the evolving needs of our customers and the corresponding network technology use. The future roadmap for Eclipse evolves the platform toward a full convergence solution with embedded capabilities enabling a migration path to an all IP network. We believe that the Eclipse solution for evolution to IP is the lowest risk, lowest cost, and most flexible solution available because it builds incrementally on the customer's existing investment, delivering a smooth "hybrid" to full IP migration path for customers globally. The IP evolution capabilities are specifically enabled by the modular additions. This incremental plug-in approach allows operators to move toward an all IP based system at their own pace without the risk, downtime or expense associated with a complete replacement or the forced migration to another platform.

Our strategy includes partnering with companies with technical expertise in areas outside of our core competencies to meet our customers' demand for an end-to-end solution. Our partner product strategy enables us to go beyond wireless transmission to combat the vendor consolidation trend whereby customers are "buying more from fewer vendors" and in doing so providing expanding market share opportunity. A comprehensive solutions portfolio comprised of our wireless product and intelligent partner products can allow us to compete with vendors that offer turnkey solution portfolios and serve to focus our R&D efforts on core competency wireless innovations. Having a broader portfolio will enable us to further differentiate our offerings from other independent microwave equipment suppliers.

We expect to continue to serve and expand upon our existing customer base. We have sold more than 500,000 microwave radios in over 150 countries and are present in more than 260 mobile networks worldwide. We intend to leverage our customer base, our longstanding presence in many countries, our distribution channels, our comprehensive product line, our superior customer service and our turnkey solution capability to continue to sell existing and new products and services to current customers.

Products and Solutions

We offer a comprehensive product and solutions portfolio that addresses the needs of service providers and network operators in every region of the world, addressing a broad range of applications, frequencies, capacities and network topologies. Product categories include point-to-point microwave radios that are licensed (subject to local frequency regulatory requirements) and license-exempt (operating in license-exempt frequencies), element and network management software and 4G/WiMAX (fixed and mobile) broadband access. In addition, we provide end-to-end turnkey broadband telecommunications systems, including complete design, deployment, maintenance, and managed network services, while being an attentive and adaptable partner for our customers — a key competitive differentiator for Aviat Networks.

- *Broad product and solution portfolio.* We offer a comprehensive suite of wireless systems for 4G/WiMAX broadband access and microwave backhaul applications. Our solution consists of tailored offerings of our own wireless products and our own integrated ancillary equipment or that of other manufacturers, element

and network management systems and professional services. These solutions address a wide range of transmission frequencies, ranging from 400 MHz to 80 GHz, and a wide range of transmission capacities, ranging up to 2.5 gigabits per second. The major product families included in these solutions are StarMAX, Eclipse Packet Node, and ProVision.

- *Low total cost of ownership.* Wireless-based solutions offer a relatively low total cost of ownership, including savings on the combined costs of initial acquisition, installation and ongoing operation and maintenance. Our latest generation system designs reduce rack space requirements, require less power, are software-configurable to reduce spare parts requirements, and are simple to install, operate, upgrade and maintain. Our advanced wireless features can also enable operators to save on related costs, including spectrum fees and tower rental fees.

- *Future-proof network.* Our solutions are designed to protect the network operator's investment by incorporating software-configurable capacity upgrades and plug-in modules that provide a smooth migration path to emerging technologies, such as carrier Ethernet and IP-based networking, without the need for costly equipment substitutions and additions. Our products include key technologies we believe will be needed by operators for their network evolution to support new broadband services.

- *Flexible, easily configurable products.* We use flexible architectures with a high level of software configurable features. This design approach produces high-performance products with the reusable components while at the same time allowing for a manufacturing strategy with a high degree of flexibility, improved cost and reduced time-to-market. The software features of our products offer our customers a greater degree of flexibility in installing, operating and maintaining their networks.

- *Comprehensive network management.* We offer a range of flexible network management solutions, from element management to enterprise-wide network management and service assurance that we optimize to work with our wireless systems.

- *Complete professional services.* In addition to our product offerings, we provide network planning and design, site surveys and builds, systems integration, installation, maintenance, network monitoring, training, customer service and many other professional services. Our services cover the entire evaluation, purchase, deployment and operational cycle and enable us to be one of the few complete turnkey solution providers in the industry.

Business Operations

Sales and Service

We believe that a direct and continuing relationship with service providers is a competitive advantage in attracting new customers and satisfying existing ones. As a result, we offer our products and services through our own direct sales, service and support organization, which allows us to closely monitor the needs of our customers. We have offices in Canada and the United States in North America; Brazil and Argentina in Central and South America; Slovenia, France, Germany, Poland, Portugal and the United Kingdom in Europe; Kenya, Nigeria, Ivory Coast and South Africa in Africa; the United Arab Emirates in the Middle East; and Australia, Bangladesh, India, Indonesia, Malaysia, New Zealand, the Philippines, Singapore and Thailand in the Asia-Pacific region. Our local offices provide us with a better understanding of our customers' needs and enable us to respond to local issues and unique local requirements.

We also have informal, and in some cases formal, relationships with original equipment manufacturers or OEMs and system integrators. Such relationships increase our ability to pursue a limited number of major contract awards each year. In addition, such relationships provide our customers with easier access to financing and integrated system providers with a variety of equipment and service capabilities. In selected countries, we also market our products through independent agents and distributors, as well as through system integrators.

We have repair and service centers in India, Nigeria, the Philippines, the United Kingdom and the United States. Our international headquarters in Singapore provides sales and customer support for the Asia-Pacific region from this facility. We have customer service and support personnel who provide customers with

training, installation, technical support, maintenance and other services on systems under contract. We install and maintain customer equipment directly in some cases and contract with third-party service providers in other cases, depending on the equipment being installed and customer requirements.

The specific terms and conditions of our product warranties vary depending upon the product sold and country in which we do business. On direct sales, warranty periods generally start on the delivery date and continue for two to three years.

Manufacturing

Historically, our manufacturing has involved a combination of in-house and outsourced processes. In fiscal 2011, we will be transitioning to an entirely outsourced manufacturing model utilizing multiple locations of our existing contract manufacturing partners both in the United States and internationally.

In accordance with our global logistics requirements and customer geographic distribution, we are engaged with contract manufacturing partners in Asia and the United States. All manufacturing operations have been certified to International Standards Organization 9001, a recognized international quality standard. We have also been certified to the TL 9000 standard, a telecommunication industry-specific quality system standard.

Backlog

Our backlog by business segment is as follows:

	July 2, 2010	July 3, 2009
	(In millions)	
North America	$ 63.8	$ 84.0
International	125.8	126.9
	$189.6	$210.9

We expect to substantially fill the entire backlog during fiscal 2011, but we cannot be assured that this will occur. Product orders in our current backlog are subject to changes in delivery schedules or to cancellation at the option of the purchaser without significant penalty. Accordingly, although useful for scheduling production, backlog as of any particular date may not be a reliable measure of sales for any future period because of the timing of orders, delivery intervals, customer and product mix and the possibility of changes in delivery schedules and additions or cancellations of orders. The backlog figures exclude advance payments and unearned income amounts. As of July 2, 2010, no customers accounted for 10% or more of our total backlog.

Customers

Principal customers for our products and services include domestic and international wireless/mobile service providers, OEMs, as well as private network users such as public safety agencies, government institutions, and utility, pipeline, railroad and other industrial enterprises that operate wireless networks.

During fiscal 2010, 2009 and 2008, we had one International segment customer in Africa (Mobile Telephone Networks or MTN) that accounted for 17%, 17% and 13% of our total revenue. MTN is an affiliated group of separate regional carriers and operators located on the continent of Africa. As of July 2, 2010, MTN as a whole accounted for approximately 7% of our accounts receivable.

Although we have a large customer base, during any given fiscal year or quarter, a small number of customers may account for a significant portion of our revenue. In certain circumstances, we sell our products to service providers through OEMs, which provide the service providers with access to financing and in some instances, protection from fluctuations in international currency exchange rates.

International Business

The following tables present measures of our revenue in international markets as a percentage of total revenue and international revenue:

Description	Percentage of Total Revenue
Revenue from U.S. exports or manufactured abroad:	
Fiscal 2010	67%
Fiscal 2009	69%
Fiscal 2008	73%

Description	Percentage of Non U.S. Revenue
Revenue from U.S. exports:	
Fiscal 2010	7%
Fiscal 2009	13%
Fiscal 2008	22%

Description	Percentage of Total Revenue
Revenue from operations conducted in local international currencies:	
Fiscal 2010	16%
Fiscal 2009	21%
Fiscal 2008	22%

Description	Percentage of Total Revenue
Revenue from foreign countries representing more than 5% of total revenue:	
Fiscal 2010 Nigeria	18%
Fiscal 2010 Saudi Arabia	7%
Fiscal 2009 Nigeria	22%
Fiscal 2009 Poland	5%
Fiscal 2008 Nigeria	19%

The functional currency of our subsidiaries located in the United Kingdom, Singapore, Mexico, Algeria and New Zealand is the U.S. dollar so the effect of foreign currency changes have not had a significant effect on our revenue. Direct export sales, as well as sales from international subsidiaries, are primarily denominated in U.S. dollars. International operations represented 55% and 63% of our long-lived assets as of July 2, 2010 and as of July 3, 2009.

We conduct international marketing activities through subsidiaries operating in Europe, Central and South America, Africa and Asia. We also have established marketing organizations and several regional sales offices in these same geographic areas.

We use indirect sales channels, including dealers, distributors and sales representatives, in the marketing and sale of some lines of products and equipment internationally. These independent representatives may buy for resale or, in some cases, solicit orders from commercial or governmental customers for direct sales by us. Prices to the ultimate customer in many instances may be recommended or established by the independent representative and may be above or below our list prices. These independent representatives generally receive a discount from our list prices and may mark up those prices in setting the final sales prices paid by the customer.

A significant portion of our exports are paid for by letters of credit, with the balance carried on an open account. In addition, significant international government contracts generally require us to provide performance guarantees.

The particular economic, social and political conditions for business conducted outside the U.S. differ from those encountered by domestic businesses. We believe that the overall business risk for our international business as a whole is somewhat greater than that faced by our domestic operations as a whole. For a discussion of the risks we are subject to as a result of our international operations, see "Item 1A. Risk Factors" of this Annual Report on Form 10-K.

Competition

The wireless access, backhaul and interconnection business is a specialized segment of the wireless telecommunications industry that is sensitive to technological advancements and is extremely competitive. Some of our competitors have more extensive engineering, manufacturing and marketing capabilities and greater financial, technical and personnel resources than us. Some of our competitors may have greater name recognition, broader product lines (some including non-wireless telecommunications equipment), a larger installed base of products and longer-standing customer relationships. In addition, some competitors offer seller financing which is a competitive advantage in the current economic environment.

Although successful product and systems development is not necessarily dependent on substantial financial resources, many of our competitors are significantly larger than us and can maintain higher levels of expenditures for research and development. In addition, a portion of our overall market is addressed by large mobile infrastructure providers who bundle microwave radios with other mobile network equipment, such as cellular base stations or switching systems, and offer a full range of services. This part of the market is generally not open to independent microwave suppliers like us.

We also compete with a number of smaller independent private and public specialist companies, who typically leverage new technologies and low-cost models, but usually are not able to offer a complete solution including turnkey services in all regions of the world.

Our principal microwave competitors include large mobile infrastructure manufacturers such as Alcatel-Lucent, Ericsson, NEC, Huawei and Nokia Siemens Networks, as well as a number of other smaller public and private microwave specialists companies such as Ceragon and DragonWave in selected markets. Some of our competitors are OEMs or systems integrators through which we sometimes distribute and sell products and services to end users.

We concentrate on market opportunities that we believe are compatible with our resources, overall technological capabilities and objectives. Principal competitive factors are cost-effectiveness, product quality and reliability, technological capabilities, service, ability to meet delivery schedules and the effectiveness of dealers in international areas. We believe that the combination of our network and systems engineering support and service, global reach, technological innovation, agility and close collaborative relationships with our customers, are the key competitive strengths for us. However, customers may still make decisions based primarily on factors such as price, financing terms and/or past or existing relationships, where it may be difficult for us to compete effectively.

Research, Development and Engineering

We believe that our ability to enhance our current products, develop and introduce new products on a timely basis, maintain technological competitiveness and meet customer requirements is essential to our success. Accordingly, we allocate, and intend to continue to allocate, a significant portion of our resources to research and development efforts in four major areas: Backhaul, Radio Access Networks, Core Networks and Network Management Systems. The majority of such research and development resources will be used for point-to-point digital microwave radio systems for access, backhaul, trunking and license-exempt applications.

Our research, development and engineering expenditures totaled $41.1 million, or 8.6% of revenue, in fiscal 2010, $40.4 million, or 5.9% of revenue, in fiscal 2009, and $46.1 million, or 6.4% of revenue in fiscal 2008.

Research, development and engineering are primarily directed to the development of new products and to building technological capability. We are, and historically have been, an industry innovator. Consistent with our history and strategy of introducing innovative products, we intend to continue to focus significant resources on product development in an effort to maintain our competitiveness and support our entry into new markets. We

maintain new product development programs that could result in new products and expansion of the Eclipse Packet Node, and the new StarMAX platform which we acquired February 27, 2009 as a result of our acquisition of Telsima Corporation.

We maintain an engineering and new product development department, with scientific assistance provided by advanced-technology departments. As of July 2, 2010, we employed a total of 272 people in our research and development organizations in Morrisville, North Carolina; Santa Clara, California; Wellington, New Zealand; Singapore; Slovenia and India.

Raw Materials and Supplies

Because of the diversity of our products and services, as well as the wide geographic dispersion of our facilities, we use numerous sources for the wide array of raw materials needed for our operations and for our products, such as electronic components, printed circuit boards, metals and plastics. We are dependent upon suppliers and subcontractors for a large number of components and subsystems and upon the ability of our suppliers and subcontractors to adhere to customer or regulatory materials restrictions and meet performance and quality specifications and delivery schedules.

Our strategy for procuring raw material and supplies includes dual sourcing on strategic assemblies and components. In general, we believe this reduces our risk with regards to the potential financial difficulties in our supply base. In some instances, we are dependent upon one or a few sources, either because of the specialized nature of a particular item or because of local content preference requirements pursuant to which we operate on a given project. Examples of sole or limited sourcing categories include metal fabrications and castings, for which we own the tooling and therefore limit our supplier relationships, and MMICs (a type of integrated circuit used in manufacturing microwave radios), which we procure at volume discount from a single source. Our supply chain plan includes mitigation plans for alternative manufacturing sources and identified alternate suppliers.

While we have been affected by performance issues of some of our suppliers and subcontractors, we have not been materially adversely affected by the inability to obtain raw materials or products. In general, any performance issues causing short-term material shortages are within the normal frequency and impact range experienced by high-tech manufacturing companies. They are due primarily to the highly technical nature of many of our purchased components. Looking ahead, there is an increasing level of global shortages for some common electronic components used by numerous manufacturers across the industry. During the global economic downturn, many component suppliers reduced their manufacturing capacity commensurate with declining global demand. Recently, global demand has outpaced manufacturing capacity for some electronic components resulting in extended lead times and in some cases allocation to our contract manufacturers.

Patents and Other Intellectual Property

We consider our patents and other intellectual property rights, in the aggregate, to constitute an important asset. We own a portfolio of patents, trade secrets, know-how, confidential information, trademarks, copyrights and other intellectual property. We also license intellectual property to and from third parties. As of August 18, 2010, we held 119 U.S. patents and 93 international patents and had 35 U.S. patent applications pending and 70 international patent applications pending. We do not consider our business to be materially dependent upon any single patent, license or other intellectual property right, or any group of related patents, licenses or other intellectual property rights. From time to time, we might engage in litigation to enforce our patents and other intellectual property or defend against claims of alleged infringement. Any of our patents, trade secrets, trademarks, copyrights and other proprietary rights could be challenged, invalidated or circumvented, or may not provide competitive advantages. Numerous trademarks used on or in connection with our products are also considered to be valuable assets.

In addition, to protect confidential information, including our trade secrets, we require our employees and contractors to sign confidentiality and invention assignment agreements. We also enter into non-disclosure agreements with our suppliers and appropriate customers to limit access to and disclosure of our proprietary information.

While our ability to compete may be affected by our ability to protect our intellectual property, we believe that, because of the rapid pace of technological change in the wireless telecommunications industry, our innovative skills, technical expertise and ability to introduce new products on a timely basis will be more important in maintaining our competitive position than protection of our intellectual property. Trade secret, trademark, copyright and patent protections are important but must be supported by other factors such as the expanding knowledge, ability and experience of our personnel, new product introductions and product enhancements. Although we continue to implement protective measures and intend to vigorously defend our intellectual property rights, there can be no assurance that these measures will be successful.

Environmental and Other Regulations

Our facilities and operations, in common with those of our industry in general, are subject to numerous domestic and international laws and regulations designed to protect the environment, particularly with regard to wastes and emissions. We believe that we have complied with these requirements and that such compliance has not had a material adverse effect on our results of operations, financial condition or cash flows. Based upon currently available information, we do not expect expenditures to protect the environment and to comply with current environmental laws and regulations over the next several years to have a material impact on our competitive or financial position, but can give no assurance that such expenditures will not exceed current expectations. From time to time, we receive notices from the U.S. Environmental Protection Agency or equivalent state or international environmental agencies that we are a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act, which is commonly known as the Superfund Act, and/or equivalent laws. Such notices may assert potential liability for cleanup costs at various sites, which include sites owned by us, sites we previously owned and treatment or disposal sites not owned by us, allegedly containing hazardous substances attributable to us from past operations. We are not presently aware of any such liability that could be material to our business, financial condition or operating results, but due to the nature of our business and environmental risks, we cannot provide assurance that any such material liability will not arise in the future.

Electronic products are subject to environmental regulation in a number of jurisdictions. Equipment produced by us is subject to domestic and international requirements requiring end-of-life management and/or restricting materials in products delivered to customers. We believe that we have complied with such rules and regulations, where applicable, with respect to our existing products sold into such jurisdictions.

Radio communications are also subject to governmental regulation. Equipment produced by us is subject to domestic and international requirements to avoid interference among users of radio frequencies and to permit interconnection of telecommunications equipment. We believe that we have complied with such rules and regulations with respect to our existing products, and we intend to comply with such rules and regulations with respect to our future products. Reallocation of the frequency spectrum also could impact our business, financial condition and results of operations.

Employees

As of July 2, 2010, we employed 1,380 people, compared with 1,521 as of the end of fiscal 2009 and 1,410 as of the end of fiscal 2008. In February 2009, we added 146 employees through the acquisition of Telsima. Approximately 700 of our employees are located in the U.S. We also utilized approximately 100 independent contractors as of July 2, 2010. None of our employees in the U.S. are represented by a labor union. In certain international subsidiaries, our employees are represented by workers' councils or statutory labor unions. In general, we believe that our relations with our employees are good.

Web site Access to Aviat Networks' Reports; Available Information

General. We maintain an Internet Web site at http://www.aviatnetworks.com. Our annual reports on Form 10-K, proxy statement, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are available free of charge on our Web site as soon as reasonably practicable after these reports are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). Our website and the information posted

thereon are not incorporated into this Annual Report on Form 10-K or any current or other periodic report that we file or furnish to the SEC.

We will also provide the reports in electronic or paper form, free of charge upon request. All reports we file with or furnish to the SEC are also available free of charge via EDGAR through the SEC's website at http://www.sec.gov. The public may read and copy any materials filed by us with the SEC at the SEC's Public Reference Room, 100 F. Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Additional information relating to our businesses, including our operating segments, is set forth in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 1A. ***Risk Factors.***

In addition to the risks described elsewhere in this Annual Report on Form 10-K and in certain of our other filings with the SEC, the following risks and uncertainties, among others, could cause our actual results to differ materially from those contemplated by us or by any forward-looking statement contained herein. Prospective and existing investors are strongly urged to carefully consider the various cautionary statements and risks set forth in this Annual Report on Form 10-K and our other public filings.

We have many business risks including those related to our financial performance, investments in our common stock, operating our business and legal matters. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that we are not aware of or focused on may also impair our business operations. If any of these risks actually occur, our financial condition and results of operations could be materially and adversely affected.

We have not been profitable and must increase our revenues and reduce costs if we hope to achieve sustainable profitability.

As measured under U.S. generally accepted accounting principles ("U.S. GAAP"), we have incurred a net loss in each of the last 8 fiscal quarters. We incurred net losses of $130.2 million in fiscal 2010, $355.0 million in fiscal 2009 and $11.9 million in fiscal 2008 and have been unprofitable since we became a public company in January 2007. We also have consistently sustained reported losses from operations, although we have generated cash from operations in each of the last three fiscal years.

Our revenue in fiscal year 2010 was $478.9 million, a decrease of $201.0 million or 29.6%, compared with fiscal year 2009. This decrease in revenue resulted from significant declines in all regions, most acutely in Africa and Europe, Middle East and Russia. 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.

Our revenue in fiscal 2009 was $679.9 million, a decrease of $38.5 million or 5.4%, compared with fiscal 2008. This decrease in revenue resulted from declines in all regions (except Africa) primarily due to the global economic recession and the continuing credit crisis adversely affecting our customers expansion, as well as increased competition from our competitors. Compared with fiscal 2008, revenue in fiscal 2009 in Europe, Middle East and Russia declined by $27.9 million, Latin America and Asia-Pacific declined $16.6 million, and North America was down $10.5 million. These decreases were partially offset by growth in Africa ($16.5 million increase) as customers in this region continued to expand their network infrastructures prior to the slowdown in the third quarter of fiscal 2009.

We recently announced additional restructuring steps and facilities closures with a view to reducing further our annual operating expenses. These steps will result in additional costs that we must recognize in fiscal 2011, and we cannot be certain that these actions or others that we may take in the future will result in operating profitability or net income as determined under U.S. GAAP.

We have announced major restructuring activities which may adversely impact our operations, and we may not realize all of the anticipated benefits of these activities or any future restructurings.

We continue to restructure and transform our business to realign resources and achieve desired cost savings in an increasingly competitive market. Following approval of our annual operating plan, we began to implement certain cost reduction initiatives in the range of $30 to $35 million for fiscal 2011. These initiatives primarily affect operations in the Americas, Asia and Europe. These actions are intended to bring our operational cost structure in line with the changing dynamics of the microwave radio and telecommunications markets.

We expect to record approximately $11 million to $13 million of charges related to severance and employee-related costs and impairment of facilities during the first, second and third quarters of fiscal 2011. The severance and employee-related cash charges are expected to be approximately $9 million to $10 million. Additionally, we expect to record approximately $2 million of non-cash asset impairments and $1 million of lease impairment charges requiring cash payments. The impairment charges will consist primarily of costs to close facilities in the Americas (primarily our Morrisville, North Carolina office), Asia and Europe.

If we consolidate additional facilities in the future, we may incur additional restructuring and related expenses, which could have a material adverse effect on our business, financial condition or results of operations.

We have based our restructuring efforts on assumptions and plans regarding the appropriate cost structure of our businesses based on our product mix and projected sales among other factors. These assumptions may not be correct and we may not be able to operate in accordance with our plans. Should this occur we may determine that we must incur additional restructuring charges in the future. Moreover, we cannot assure you that we will realize all of the anticipated benefits of the restructurings or that we will not further reduce or otherwise adjust our workforce or exit, or dispose of, certain businesses and protect lines. Any decision to further limit investment, exit, or dispose of businesses may result in the recording of additional restructuring charges. As a result, the costs actually incurred in connection with the restructuring efforts may be higher than originally planned and may not lead to the anticipated cost savings and/or improved results.

Our success will depend on new product introductions, product transitioning and customer acceptance.

The market for our products is characterized by rapid technological change, evolving industry standards and frequent new product introductions. Our future success will depend, in part, on continuous, timely development and introduction of new products and enhancements that address evolving market requirements and are attractive to customers. We believe that successful new product introductions provide a significant competitive advantage because of the significant resources committed by customers in adopting new products and their reluctance to change products after these resources have been expended. We have spent, and expect to continue to spend, significant resources on internal research and development to support our effort to develop and introduce new products and enhancements. As we transition to common product platforms, we may face significant risk that current customers may not accept these new products. To the extent that we fail to introduce new and innovative products that are adopted by customers, we could fail to obtain an adequate return on these investments and could lose market share to our competitors, which could be difficult or impossible to regain. In addition, we could incur significant costs in completing the transition.

The effects of the recession in the United States and general downturn in the global economy, including financial market disruptions, could have an adverse impact on our business, operating results or financial condition.

The United States economy is in recession and there has been a general downturn in the global economy. A continuation or worsening of these conditions, including the ongoing credit and capital markets disruptions, could have an adverse impact on our business, operating results or financial condition in a number of ways. For example:

- We may experience declines in revenues and cash flows and increased losses as a result of reduced orders, payment delays or other factors caused by the economic problems of our customers and prospective customers. During the last quarter, some customers advised us of their intention to slow deployments to

conserve cash. Such customer attitudes could continue to affect out business, financial condition and cash flows adversely.

- We may experience supply chain delays, disruptions or other problems associated with financial constraints faced by our suppliers and subcontractors.
- We may incur increased costs or experience difficulty either in making future borrowings under our credit facility or otherwise in obtaining financing for our operating activities, investing activities (including the financing of any future acquisitions) or financing activities.

Part of our inventory may be written off, which would increase our cost of revenues. In addition, we may be exposed to inventory-related losses on inventories purchased by our contract manufacturers.

During fiscal 2010, 2009 and 2008, we recorded charges to reduce the carrying value of our inventory to the lower of cost or market totaling $30.9 million, $23.1 million and $24.6 million. Such charges equaled 6.5%, 3.4%, and 3.4% of our revenue for fiscal 2010, 2009 and 2008. These charges were primarily due to excess and obsolete inventory resulting from product transitioning and discontinuance.

Inventory of raw materials, work in-process or finished products may accumulate in the future, and we may encounter losses due to a variety of factors, including:

- rapid technological change in the wireless telecommunications industry resulting in frequent product changes;
- the need of our contract manufacturers to order raw materials that have long lead times and our inability to estimate exact amounts and types of items thus needed, especially with regard to the frequencies in which the final products ordered will operate; and
- cost reduction initiatives resulting in component changes within the products.

Further, our inventory of finished products may accumulate as the result of cancellation of customer orders or our customers' refusal to confirm the acceptance of our products. Our contract manufacturers are required to purchase inventory based on manufacturing projections we provide to them. If actual orders from our customers are lower than these manufacturing projections, our contract manufacturers will have excess inventory of raw materials or finished products which we would be required to purchase. In addition, we require our contract manufacturers from time to time to purchase more inventory than is immediately required, and to partially assemble components, in order to shorten our delivery time in case of an increase in demand for our products. In the absence of such increase in demand, we may need to compensate our contract manufacturers. If we are required to purchase excess inventory from our contract manufacturers or otherwise compensate our contract manufacturers for purchasing excess inventory, our business, financial condition and results of operations could be materially adversely affected. We also may purchase components or raw materials from time to time for use by our contract manufacturers in the manufacturing of our products. These purchases are based on our own manufacturing projections. If our actual orders are lower than these manufacturing projections, we may accumulate excess inventory which we may be required to write-off. If we are forced to write-off this inventory other than in the normal course of business, our business, financial condition, results of operations could be materially adversely affected .

If we fail to accurately forecast our manufacturing requirements or customer demand, we could incur additional costs which would adversely affect our business and results of operations.

If we fail to accurately predict our manufacturing requirements or forecast customer demand, we may incur additional costs of manufacturing and our gross margins and financial results could be adversely affected. If we overestimate our requirements, our contract manufacturers may experience an oversupply of components and assess us charges for excess or obsolete components that could adversely affect our gross margins. If we underestimate our requirements, our contract manufacturers may have inadequate inventory or components, which could interrupt manufacturing and result in higher manufacturing costs, shipment delays, damage to customer relationships and/or our payment of penalties to our customers. Our contract manufacturers may also have other

customers and may not have sufficient capacity to meet all of their customer's needs, including ours, during periods of excess demand.

Our sales cycle may be lengthy, and the time for installation and implementation of our products within our customers' networks may extend over more than one period, which can make our operating results difficult to predict.

We anticipate difficulty in accurately predicting the timing and amounts of revenue generated from sales of our products. The establishment of a business relationship with a potential customer is a lengthy process, generally taking several months and sometimes longer. Following the establishment of the relationship, the negotiation of purchase terms can be time-consuming, and a potential customer may require an extended evaluation and testing period.

We expect that our product sales cycle, which results in our products being designed into our customers' networks, could take 12 to 24 months. A number of factors can contribute to the length of the sales cycle, including technical evaluations of our products, the design process required to integrate our products into our customers' networks. In anticipation of product orders, we may incur substantial costs before the sales cycle is complete and before we receive any customer payments. As a result, in the event that a sale is not completed or is cancelled or delayed, we may have incurred substantial expenses, making it more difficult for us to become profitable or otherwise negatively impacting our financial results. Furthermore, because of our lengthy sales cycle, our receipt of revenue from our selling efforts may be substantially delayed, our ability to forecast our future revenue may be more limited and our revenue may fluctuate significantly from quarter to quarter.

Once a purchase agreement has been executed, the timing and amount of revenue, if applicable, may remain difficult to predict. The completion of the installation and testing of the customer's networks and the completion of all other suppliers network elements are subject to the customer's timing and efforts, and other factors outside our control which may prevent us from making predictions of revenue with any certainty and could cause us to experience substantial period-to-period fluctuations in our operating results.

If we fail to effectively manage our contract manufacturer relationships, we could incur additional costs or be unable to timely fulfill our customer commitments, which would adversely affect our business and results of operations and, in the event of an inability to fulfill commitments, would harm our customer relationships.

We outsource a substantial portion of our manufacturing and repair service operations to independent contract manufacturers and other third parties. Our contract manufacturers typically manufacture our products based on rolling forecasts of our product needs that we provide to them on a regular basis. The contract manufacturers are responsible for procuring components necessary to build our products based on our rolling forecasts, building and assembling the products, testing the products in accordance with our specifications and then shipping the products to us. We configure the products to our customer requirements, conduct final testing and then ship the products to our customers. Although we currently partner with multiple major contract manufacturers, there can be no assurance that we will not encounter problems as we become increasingly dependent on contract manufacturers to provide these manufacturing services or that we will be able to replace a contract manufacturer that is not able to meet our demand.

In addition, if we fail to effectively manage our relationships with our contract manufacturers or other service providers, or if one or more of them should not fully comply with their contractual obligations or should experience delays, disruptions, component procurement problems or quality control problems, then our ability to ship products to our customers or otherwise fulfill our contractual obligations to our customers could be delayed or impaired which would adversely affect our business, financial results and customer relationships.

We depend on sole or limited sources for some key components and failure to receive timely delivery of any of these components could result in deferred or lost sales.

In some instances, we are dependent upon one or a few sources, either because of the specialized nature of a particular item or because of local content preference requirements pursuant to which we operate on a given project. Examples of sole or limited sourcing categories include metal fabrications and castings, for which we own the tooling and therefore limit our supplier relationships, and MMICs (a type of integrated circuit used in manufacturing microwave radios), which we procure at volume discount from a single source. Our supply chain plan includes mitigation plans for alternative manufacturing sources and identified alternate suppliers. However, if these

alternatives cannot address our requirements when our existing sources of these components fail to deliver them on time, we could suffer delayed shipments, canceled orders, and lost or deferred revenues, as well as material damage to our customer relationships. Should this occur, our operating results, cash flows and financial condition could be adversely affected to a material degree.

We have a history of substantial impairment charges for our goodwill, intangible assets and property, plant and equipment and may continue to experience such charges in the future.

As of July 2, 2010, the net carrying value of our goodwill, definite-lived intangible assets and property, plant and equipment totaled $6.2 million, $7.5 million and $37.6 million.

During fiscal 2010, we recorded impairment charges of $63.2 million for identifiable intangible assets and $8.7 million for property, plant and equipment. During fiscal 2009, we recorded impairment charges of $279.0 million for goodwill and $32.6 million for the Stratex trade name. We did not record impairment losses for goodwill or identifiable intangible assets in fiscal 2008.

Additionally, during fiscal 2010 we recorded an impairment charge of $5.5 million on our manufacturing facility and idle equipment in San Antonio, Texas. This charge resulted from our plan to converge our products onto a single platform by the end of fiscal year 2010 and is included in "Charges for product transition" within "Cost of products sales and services" on our Consolidated Statement of Operations.

During fiscal 2009, we recorded a $3.2 million charge for the write-down of software developed for internal use and a $7.2 million charge for the write-down of machinery and equipment related to our product transitioning activities. We also recorded a $2.4 million charge for the impairment of a building used in manufacturing.

During fiscal 2008, we recorded impairment losses on property, plant and equipment totaling $1.3 million.

Our intangible assets and property, plant and equipment are subject to impairment testing in accordance with Accounting Standard Codification 360 ("ASC 360"), *Property, Plant and Equipment* and our goodwill is subject to an impairment test in accordance with ASC 350 *Intangibles, Goodwill and Other*. We review the carrying value of our long-lived assets for impairment whenever events or circumstances indicate that their carrying amount may not be recoverable. Significant negative industry or economic trends, including a lack of recovery in the market price of our common stock or the fair value of our debt, disruptions to our business, unexpected significant changes or planned changes in the use of the long-lived assets, and mergers and acquisitions could result in the need to reassess the fair value of our assets and liabilities which could lead to an impairment charge for any of our long-lived assets. An impairment charge related to our long-lived assets could have a significant adverse effect on our financial position and results of operations in the period in which it is incurred.

Credit and commercial risks and exposures could increase if the financial condition of our customers declines.

A substantial portion of our sales are to customers in the telecommunications industry. These customers may require their suppliers to provide extended payment terms, direct loans or other forms of financial support as a condition to obtaining commercial contracts. We expect that we may provide or commit to financing where appropriate for our business. Our ability to arrange or provide financing for our customers will depend on a number of factors, including our credit rating, our level of available credit and our ability to sell off commitments on acceptable terms. More generally, we expect to routinely enter into long-term contracts involving significant amounts to be paid by our customers over time. Pursuant to these contracts, we may deliver products and services representing an important portion of the contract price before receiving any significant payment from the customer. As a result of the financing that may be provided to customers and our commercial risk exposure under long-term contracts, our business could be adversely affected if the financial condition of our customers erodes. Over the past few years, certain of our customers have filed with the courts seeking protection under the bankruptcy or reorganization laws of the applicable jurisdiction, or have experienced financial difficulties. As a result of the more challenging economic environment, we saw some increase in the number of our customers experiencing such difficulties in 2009, and we expect that trend to intensify if the global economy deteriorates further in 2010 and 2011. That trend may be exacerbated in many emerging markets, where our customers are being affected not only by recession, but by deteriorating local currencies and a lack of credit. Upon the financial failure of a customer, we may experience losses on credit extended and loans made to such customer, losses relating to our commercial risk exposure and the loss of the customer's ongoing business. If customers fail to meet their obligations to us, we may

experience reduced cash flows and losses in excess of reserves, which could materially adversely impact our results of operations and financial position.

Our customers may not pay for products and services in a timely manner, or at all, which would decrease our cash flows and adversely affect our working capital.

Our business requires extensive credit risk management that may not be adequate to protect against customer nonpayment. A risk of non-payment by customers is a significant focus of our business. We expect a significant amount of future revenue to come from international customers, many of whom will be startup telecom operators in developing countries. We do not generally expect to obtain collateral for sales, although we require letters of credit or credit insurance as appropriate for international customers. For information regarding the percentage of revenue attributable to certain key customers, see the risks discussed in the factor below titled *"Because a significant amount of our revenue may come from a limited number of customers, the termination of any of these customer relationships may adversely affect our business."* Our historical accounts receivable balances have been concentrated in a small number of significant customers. Unexpected adverse events impacting the financial condition of our customers, bank failures or other unfavorable regulatory, economic or political events in the countries in which we do business may impact collections and adversely impact our business, require increased bad debt expense or receivable write-offs and adversely impact our cash flows, financial condition and operating results.

Our average sales prices may decline in the future.

Currently, we and other manufacturers of our telecommunications equipment are experiencing, and are likely to continue to experience, declining sales prices. This price pressure is likely to result in downward pricing pressure on our products and services. As a result, we are likely to experience declining average sales prices for our products. Our future profitability will depend upon our ability to improve manufacturing efficiencies, reduce costs of materials used in our products, and to continue to introduce new lower-cost products and product enhancements. If we are unable to respond to increased price competition, our business, financial condition and results of operations will be harmed. Because customers frequently negotiate supply arrangements far in advance of delivery dates, we may be required to commit to price reductions for our products before we are aware of how, or if, cost reductions can be obtained. As a result, current or future price reduction commitments and any inability on our part to respond to increased price competition, could harm our business, financial condition and results of operations.

Our effective tax rate could be highly volatile and could adversely affect our operating results.

Our future effective tax rate may be adversely affected by a number of factors, many of which are outside of our control, including:

- the jurisdictions in which profits are determined to be earned and taxed;
- adjustments to estimated taxes upon finalization of various tax returns;
- increases in expenses not deductible for tax purposes, including write-offs of acquired in-process research and development and impairment of goodwill in connection with acquisitions;
- changes in available tax credits;
- changes in share-based compensation expense;
- changes in the valuation of our deferred tax assets and liabilities;
- changes in domestic or international tax laws or the interpretation of such tax laws;
- the resolution of issues arising from tax audits with various tax authorities; and
- the tax effects of purchase accounting for acquisitions and restructuring charges that may cause fluctuations between reporting periods.

Any significant increase in our future effective tax rates could impact our results of operations for future periods adversely.

Because a significant amount of our revenue may come from a limited number of customers, the termination of any of these customer relationships may adversely affect our business.

Sales of our products and services historically have been concentrated in a small number of customers. Principal customers for our products and services include domestic and international wireless/mobile service providers, OEMs, as well as private network users such as public safety agencies; government institutions; and utility, pipeline, railroad and other industrial enterprises that operate broadband wireless networks. We had revenue

from a single external customer that exceeded 10% of our total revenue during fiscal 2010, 2009 and 2008. Although we have a large customer base, during any given quarter, a small number of customers may account for a significant portion of our revenue.

It is possible that a significant portion of our future product sales also could be concentrated in a limited number of customers. In addition, product sales to major customers have varied widely from period to period. The loss of any existing customer, a significant reduction in the level of sales to any existing customer, or our inability to gain additional customers could result in declines in our revenue or an inability to grow revenue. In addition, consolidation of our potential customer base could result in purchasing decision delays as consolidating customers integrate their operations and could generally reduce our opportunities to win new customers to the extent that the number of potential customers decreases. Furthermore, as our customers become larger, they may have more leverage to negotiate better pricing which could adversely affect our revenues and gross margins.

We will face strong competition for maintaining and improving our position in the market, which could adversely affect our revenue growth and operating results.

The wireless interconnection and access business is a specialized segment of the wireless telecommunications industry and is extremely competitive. We expect competition in this segment to increase. Some of our competitors have more extensive engineering, manufacturing and marketing capabilities and significantly greater financial, technical and personnel resources than we have. In addition, some of our competitors have greater name recognition, broader product lines, a larger installed base of products and longer-standing customer relationships. Our competitors include established companies, such as Alcatel-Lucent, Eltek ASA, Ericsson, NEC and Nokia Siemens Networks, as well as a number of other public and private companies such as Ceragon and Huawei Technologies in selected markets. Some of our competitors are OEMs or systems integrators through whom we market and sell our products, which means our business success may depend on these competitors to some extent. One or more of our largest customers could internally develop the capability to manufacture products similar to those manufactured or outsourced by us and, as a result, the demand for our products and services may decrease.

In addition, we compete for acquisition and expansion opportunities with many entities that have substantially greater resources than we have. Our competitors may enter into business combinations in order to accelerate product development or to compete more aggressively and we may lack the resources to meet such enhanced competitions.

Our ability to compete successfully will depend on a number of factors, including price, quality, availability, customer service and support, breadth of product line, product performance and features, rapid time-to-market delivery capabilities, reliability, timing of new product introductions by us, our customers and competitors, the ability of our customers to obtain financing and the stability of regional sociopolitical and geopolitical circumstances, and the ability of large competitors to obtain business by providing more seller financing especially for large transactions. We can give no assurances that we will have the financial resources, technical expertise, or marketing, sales, distribution, customer service and support capabilities to compete successfully, or that regional sociopolitical and geographic circumstances will be favorable for our successful operation.

Consolidation within the telecommunications industry could result in a decrease in our revenue.

The telecommunications industry has experienced significant consolidation among its participants, and we expect this trend to continue. Some operators in this industry have experienced financial difficulty and have filed, or may file, for bankruptcy protection. Other operators may merge and one or more of our competitors may supply products to the customers of the combined company following those mergers. This consolidation could result in purchasing decision delays and decreased opportunities for us to supply products to companies following any consolidation. This consolidation may also result in lost opportunities for cost reduction and economies of scale. In addition, see the risks discussed in the factor above titled *"Because a significant amount of our revenue may come from a limited number of customers, the termination of any of these customer relationships may adversely affect our business."*

If we fail to develop and maintain distribution and licensing relationships, our revenue may decrease.

Although a majority of our sales are made through our direct sales force, we also will market our products through indirect sales channels such as independent agents, distributors, OEMs and systems integrators. These relationships enhance our ability to pursue major contract awards and, in some cases, are intended to provide our customers with easier access to financing and a greater variety of equipment and service capabilities, which an

integrated system provider should be able to offer. We may not be able to maintain and develop additional relationships or, if additional relationships are developed, they may not be successful. Our inability to establish or maintain these distribution and licensing relationships could restrict our ability to market our products and thereby result in significant reductions in revenue. If these revenue reductions occur, our business, financial condition and results of operations would be harmed.

If sufficient radio frequency spectrum is not allocated for use by our products, and we fail to obtain regulatory approval for our products, our ability to market our products may be restricted.

Radio communications are subject to regulation by U.S. and foreign laws and international treaties. Generally, our products need to conform to a variety of United States and international requirements established to avoid interference among users of transmission frequencies and to permit interconnection of telecommunications equipment. Any delays in compliance with respect to our future products could delay the introduction of such products.

In addition, we will be affected by the allocation and auction of the radio frequency spectrum by governmental authorities both in the U.S. and internationally. Such governmental authorities may not allocate sufficient radio frequency spectrum for use by our products or we may not be successful in obtaining regulatory approval for our products from these authorities. Historically, in many developed countries, the unavailability of frequency spectrum has inhibited the growth of wireless telecommunications networks. In addition, to operate in a jurisdiction, we must obtain regulatory approval for our products. Each jurisdiction in which we market our products has its own regulations governing radio communications. Products that support emerging wireless telecommunications services can be marketed in a jurisdiction only if permitted by suitable frequency allocations, auctions and regulations. The process of establishing new regulations is complex and lengthy. If we are unable to obtain sufficient allocation of radio frequency spectrum by the appropriate governmental authority or obtain the proper regulatory approval for our products, our business, financial condition and results of operations may be harmed.

Due to the significant volume of international sales we expect, we may be susceptible to a number of political, economic and geographic risks that could harm our business.

We are highly dependent on sales to customers outside the U.S. In fiscal 2010, 2009 and 2008, our sales to international customers accounted for 67%, 69% and 73% of total revenue. Also, significant portions of our international sales are in less developed countries. Our international sales are likely to continue to account for a large percentage of our products and services revenue for the foreseeable future. As a result, the occurrence of any international, political, economic or geographic event that adversely affects our business could result in a significant decline in revenue.

Some of the risks and challenges of doing business internationally include:

- unexpected changes in regulatory requirements;
- fluctuations in international currency exchange rates;
- imposition of tariffs and other barriers and restrictions;
- management and operation of an enterprise spread over various countries;
- the burden of complying with a variety of laws and regulations in various countries;
- application of the income tax laws and regulations of multiple jurisdictions, including relatively low-rate and relatively high-rate jurisdictions, to our sales and other transactions, which results in additional complexity and uncertainty;
- general economic and geopolitical conditions, including inflation and trade relationships;
- war and acts of terrorism;
- kidnapping and high crime rate;
- natural disasters;
- currency exchange controls; and
- changes in export regulations.

While these factors and the impacts of these factors are difficult to predict, any one or more of them could adversely affect our business, financial condition and results of operations in the future.

Our products are used in critical communications networks which may subject us to significant liability claims.

Because our products are used in critical communications networks, we may be subject to significant liability claims if our products do not work properly. The provisions in our agreements with customers that are intended to limit our exposure to liability claims may not preclude all potential claims. In addition, any insurance policies we have may not adequately limit our exposure with respect to such claims. We warrant to our current customers that our products will operate in accordance with our product specifications. If our products fail to conform to these specifications, our customers could require us to remedy the failure or could assert claims for damages. Liability claims could require us to spend significant time and money in litigation or to pay significant damages. Any such claims, whether or not successful, would be costly and time-consuming to defend, and could divert management's attention and seriously damage our reputation and our business.

If we are unable to adequately protect our intellectual property rights, we may be deprived of legal recourse against those who misappropriate our intellectual property.

Our ability to compete will depend, in part, on our ability to obtain and enforce intellectual property protection for our technology in the U.S. and internationally. We rely upon a combination of trade secrets, trademarks, copyrights, patents and contractual rights to protect our intellectual property. In addition, we enter into confidentiality and invention assignment agreements with our employees, and enter into non-disclosure agreements with our suppliers and appropriate customers so as to limit access to and disclosure of our proprietary information. We cannot give assurances that any steps taken by us will be adequate to deter misappropriation or impede independent third-party development of similar technologies. In the event that such intellectual property arrangements are insufficient, our business, financial condition and results of operations could be harmed. We have significant operations in the U.S., United Kingdom, Singapore and New Zealand, and outsourcing arrangements in Asia. We cannot provide assurances that the protection provided to our intellectual property by the laws and courts of particular nations will be substantially similar to the protection and remedies available under U.S. law. Furthermore, we cannot provide assurances that third parties will not assert infringement claims against us based on intellectual property rights and laws in other nations that are different from those established in the U.S.

We may be subject to litigation regarding intellectual property associated with our wireless business; this litigation could be costly to defend and resolve, and could prevent us from using or selling the challenged technology.

The wireless telecommunications industry is characterized by vigorous protection and pursuit of intellectual property rights, which has resulted in often protracted and expensive litigation. Any litigation regarding patents or other intellectual property could be costly and time-consuming and could divert our management and key personnel from our business operations. The complexity of the technology involved and the uncertainty of intellectual property litigation increase these risks. Such litigation or claims could result in substantial costs and diversion of resources. In the event of an adverse result in any such litigation, we could be required to pay substantial damages, cease the use and transfer of allegedly infringing technology or the sale of allegedly infringing products and expend significant resources to develop non-infringing technology or obtain licenses for the infringing technology. We can give no assurances that we would be successful in developing such non-infringing technology or that any license for the infringing technology would be available to us on commercially reasonable terms, if at all. This could have a materially adverse effect on our business, results of operation, financial condition, competitive position and prospects.

Our stock price may be volatile, which may lead to losses by investors.

Announcements of developments related to our business, announcements by competitors, quarterly fluctuations in our financial results and general conditions in the telecommunications industry in which we compete, or the economies of the countries in which we do business and other factors could cause the price of our common stock to fluctuate, perhaps substantially. In addition, in recent years the stock market has experienced extreme price fluctuations, which have often been unrelated to the operating performance of affected companies. These factors and fluctuations could lower the market price of our common stock. Our stock is currently listed on the NASDAQ Global Market.

Our quarterly results may be volatile, which can adversely affect the trading price of our common stock.

Our quarterly operating results may vary significantly for a variety of reasons, many of which are outside our control. These factors could harm our business and include, among others:

- volume and timing of our product orders received and delivered during the quarter;
- our ability and the ability of our key suppliers to respond to changes on demand as needed;
- our suppliers' inability to perform and deliver on time as a result of their financial condition, component shortages or other supply chain constraints;
- retention of key personnel;
- our sales cycles can be lengthy;
- litigation costs and expenses;
- continued timely rollout of new product functionality and features;
- increased competition resulting in downward pressures on the price of our products and services;
- unexpected delays in the schedule for shipments of existing products and new generations of the existing platforms;
- failure to realize expected cost improvement throughout our supply chain;
- order cancellations or postponements in product deliveries resulting in delayed revenue recognition;
- seasonality in the purchasing habits of our customers;
- restructuring and organization of our operations;
- war and acts of terrorism;
- natural disasters;
- the ability of our customers to obtain financing to enable their purchase of our products;
- fluctuations in international currency exchange rates;
- regulatory developments including denial of export and import licenses; and
- general economic conditions worldwide that affect demand and financing for microwave telecommunications networks.

Our quarterly results are expected to be difficult to predict and delays in product delivery or closing a sale can cause revenue and net income or loss to fluctuate significantly from anticipated levels. A substantial portion of our contracts are completed in the latter part of a quarter and a significant percentage of these are large orders. Because a significant portion of our cost structure is largely fixed in the short term, revenue shortfalls tend to have a disproportionately negative impact on our profitability and increases our inventory. The number of large new transactions also increases the risk of fluctuations in our quarterly results because a delay in even a small number of these transactions could cause our quarterly revenues and profitability to fall significantly short of our predictions. In addition, we may increase spending in response to competition or in pursuit of new market opportunities. Accordingly, we cannot provide assurances that we will be able to achieve profitability in the future or that if profitability is attained, that we will be able to sustain profitability, particularly on a quarter-to-quarter basis.

Anti-takeover provisions of Delaware law and provisions in our amended and restated certificate of incorporation, amended and restated bylaws could make a third-party acquisition of us difficult.

Because we are a Delaware corporation, the anti-takeover provisions of Delaware law could make it more difficult for a third party to acquire control of us, even if the change in control would be beneficial to stockholders. We are subject to the provisions of Section 203 of the General Corporation Law of Delaware, which prohibits us from engaging in certain business combinations, unless the business combination is approved in a prescribed manner. In addition, our amended and restated certificate of incorporation and amended and restated bylaws also contain certain provisions that may make a third-party acquisition of us difficult, including the ability of the board of directors to issue preferred stock and the requirement that nominations for directors and other proposals by stockholders must be made in advance of the meeting at which directors are elected or the proposals are voted upon.

We may face risks related to pending litigation over the restatement of our financial statements.

In connection with our identification of the material weaknesses in internal control described in our fiscal 2008 Annual Report on Form 10-K filed with the Securities and Exchange Commission on September 25, 2008, we have

had to restate our interim consolidated financial statements for the first three fiscal quarters of fiscal 2008 (the quarters ended March 28, 2008, December 28, 2007 and September 28, 2007) and our consolidated financial statements for the fiscal years ended June 29, 2007, June 30, 2006 and July 1, 2005 in order to correct errors contained in those financial statements. We also announced on July 30, 2008 that investors should no longer rely on our previously issued financial statements for those periods.

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. We believe that we have meritorious defenses and intend to defend ourselves vigorously.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

As of July 2, 2010, we conducted operations using facilities in the U.S., Canada, Europe, Central America, South America, Africa and Asia. Our principal executive offices are located at leased facilities in Santa Clara, California. There are no material encumbrances on any of our facilities. Remaining initial lease periods extend up to 2020.

As of July 2, 2010, the locations and approximate floor space of our principal offices and facilities in productive use were as follows:

Location	Major Activities	Owned (Square feet)	Leased (Square feet)
Wellington, New Zealand	Office, R&D center	58,000	—
Lanarkshire, Scotland	Office, repair center	52,000	—
San Antonio, Texas	Office, manufacturing	—	130,000
Santa Clara, California	Headquarters, R&D center	—	129,000
Morrisville, North Carolina	Office, R&D center	—	60,000
India (three facilities)	Office, R&D center	—	50,000
Slovenia	Office, R&D center	—	20,000
Philippine Islands (two facilities)	Office	—	17,000
Republic of Singapore	Office	—	11,000
Republic of South Africa	Office	—	9,000
People's Republic of China	Office	—	8,000
Mexico City, Mexico	Office	—	8,000
Lagos, Nigeria	Office	—	7,000
Ivory Coast	Office	—	6,000
Warsaw, Poland	Office	—	5,000
Paris, France	Office	—	4,000
Other facilities	Offices	—	24,000
Totals		110,000	488,000

As part of the fiscal 2007 acquisition of Stratex, we acquired vacated leased facilities in Seattle, Washington, and San Jose and Milpitas, California. These three facilities consist of approximately 139,000 square feet, of which approximately 90,000 square feet have been subleased to third parties. Additionally, we vacated two leased 60,000 square foot facilities in San Jose, California during the fiscal 2010 move of our headquarters to Santa Clara, California from Morrisville, North Carolina. As the lessee, we have ongoing lease commitments for five of these six facilities ending in fiscal 2011. The lease commitment for the sixth location will end in fiscal 2012.

During the fourth quarter of fiscal 2010, we sold our 130,000 square foot office and manufacturing location in San Antonio, Texas. Subsequent to the sale, we leased back the entire office and manufacturing complex which we will occupy for a portion of fiscal 2011.

We maintain our facilities in good operating condition, and believe that they are suitable and adequate for our current and projected needs. We continuously review our anticipated requirements for facilities and may, from time to time, acquire additional facilities, expand existing facilities, or dispose of existing facilities or parts thereof, as we deem necessary.

For more information about our lease obligations, see "Note P — Operating Lease Commitments" and "Note K — Restructuring Activities" of Notes to Consolidated Financial Statements, which are included in Part II, Item 8 of this Annual Report on Form 10-K.

Item 3. *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 Harris Stratex Networks Operating Company, 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, as a normal incident of the nature and kind of businesses in which we are engaged, various claims or charges are asserted and litigation commenced against us arising from or related to: personal injury, patents, trademarks, trade secrets or other intellectual property; labor and employee disputes; commercial or contractual disputes; breach of warranty; the sale or use of products containing restricted or hazardous materials; or other environmental matters. Claimed amounts may be substantial but may not bear any reasonable relationship to the merits of the claim or the extent of any real risk of court or arbitral awards. Any of such claims and litigation could entail significant expenses and losses, which could adversely affect our operating results, cash flows and financial condition.

EXECUTIVE OFFICERS OF THE REGISTRANT

The name, age, position held with us, and principal occupation and employment during at least the past 5 years for each of our executive officers as of September 9, 2010, are as follows:

Name and Age	Position Currently Held and Past Business Experience
Charles D. Kissner, 63	Mr. Charles D. Kissner, was appointed chief executive officer on June 28, 2010. He is also Chairman of the Board, a position held since January 2007. Mr. Kissner served as chief executive officer of Stratex Networks, Inc. from July 1995 through May 2000 and again from October 2001 to May 2006. He was elected a director of Stratex Networks in July 1995, and Chairman in August 1996, a position which he held through January 2007.
Thomas L. Cronan III, 50	Mr. Cronan joined our company as senior vice president and chief financial officer in May 2009. From 2008 to just prior to joining Harris Stratex, he served as the chief financial officer at AeroScout, Inc. From 2007 to 2008, he served as the chief financial officer of Ooma, Inc. In 2003, Mr. Cronan became the senior vice president of finance and chief financial officer at Redback Networks, Inc.
Paul A. Kennard, 59	Mr. Kennard joined our company as chief technology officer in January 2007 when Harris MCD and Stratex Networks merged. In 1996 he joined Stratex Networks as vice president, engineering.
Meena L. Elliott, 47	Ms. Elliott was appointed vice president, general counsel and secretary of the company in July 2009. She joined our company as associate general counsel and assistant secretary in January 2007 when Harris MCD and Stratex Networks merged. Ms. Elliott joined Harris Corporation's Microwave Communications Division as division counsel in March 2006. Prior to joining MCD, she was chief counsel at the Department of Commerce from 2002-2006.
Heinz H. Stumpe, 55	Mr. Stumpe was appointed chief operating officer and senior vice president global operations on June 30, 2008. Previously, he was vice president operations. He joined Stratex Networks as director, marketing in 1996. He was promoted to vice president, global accounts in 1999, vice president, strategic accounts in 2002 and vice president, global operations in April 2006.
Shaun McFall, 50	Mr. McFall was named chief marketing officer in July 2008. Previously, from 2000-2008, he served as vice president, marketing for Stratex Networks, Inc. He has been with the company since 1989.
J. Russell Mincey, 49	Mr. Mincey joined our company in July 2008 as global corporate controller. From mid-February through mid-May 2009, he served as interim principal financial officer and interim principal accounting officer. In September 2009, he was appointed vice president, corporate controller and principal accounting officer. From October 2005 to April 2008, Mr. Mincey was chief financial officer at the Industrial Components Division of Carlisle Companies. He served as vice president and chief financial officer of Draka Comteq (previously known as Alcatel Fiber Optic Cable Division) from July 2004 through October 2005.
Michael Pangia, 49	Mr. Pangia was named senior vice president and chief sales officer in March 2009. Previously, Mr. Pangia served as senior vice president, Global Sales Operations and Strategy at Nortel. From 2006 through 2008, he was president of Nortel's Asia region, responsible for sales and overall business management for all countries where Nortel did business in that region and he was the chief operating officer of Nortel's Asia region from 2005 to 2006.

There is no family relationship between any of our executive officers or directors, and there are no arrangements or understandings between any of our executive officers or directors and any other person pursuant to which any of them was appointed or elected as an officer or director, other than arrangements or understandings with our directors

Item 4. *Removed and Reserved*

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market Information and Price Range of Common Stock

On January 28, 2010, we changed our corporate name to Aviat Networks, Inc. from Harris Stratex Networks, Inc. to more effectively reflect our business and communicate our brand identity to customers and to comply with the termination of the Harris trademark licensing agreement resulting from the spin-off by Harris of its interest in our stock to its shareholders in May 2009.

As a result, our Common Stock, with a par value of $0.01 per share, is listed and primarily traded on the NASDAQ Global Market ("NASDAQ"), under the ticker symbol AVNW (prior to January 28, 2010 our ticker symbol was HSTX). There was no established trading market for shares of our Common Stock prior to January 29, 2007.

From the time we acquired Stratex on January 26, 2007, Harris owned 32,913,377 shares or 100% of our Class B Common Stock which approximated 56% of the total shares of our common stock. On May 27, 2009, Harris distributed all of those shares to the Harris stockholders as a taxable pro rata stock dividend. Upon the distribution, the Class B Common Stock converted automatically into shares of Class A Common Stock.

Effective November 19, 2009, under a change to our certificate of incorporation approved by shareholders, all shares of our Class A common stock were reclassified on a one-to-one basis to shares of Common Stock without a class designation; we no longer have Class A or Class B common stock authorized, issued or outstanding.

According to the records of our transfer agent, as of August 27, 2010, there were approximately 5,600 holders of record of our Common Stock. The following table sets forth the high and low reported sale prices for a share of our Common Stock on NASDAQ Global Market system for the periods indicated during our fiscal years 2010 and 2009:

	Fiscal 2010		Fiscal 2009	
	High ($)	Low ($)	High ($)	Low ($)
First Quarter	7.79	5.65	11.45	6.85
Second Quarter	7.49	5.81	7.85	3.26
Third Quarter	8.25	5.85	7.24	3.00
Fourth Quarter	7.42	3.46	6.75	3.91

Dividend Policy

We have not paid cash dividends on our common stock and do not intend to pay cash dividends in the foreseeable future. We intend to retain any earnings for use in our business. In addition, the covenants of our $70 million credit facility may restrict us from paying dividends or making other distributions to our shareholders under certain circumstances.

Sales of Unregistered Securities

During the fourth quarter of fiscal 2010, we did not issue or sell any unregistered securities.

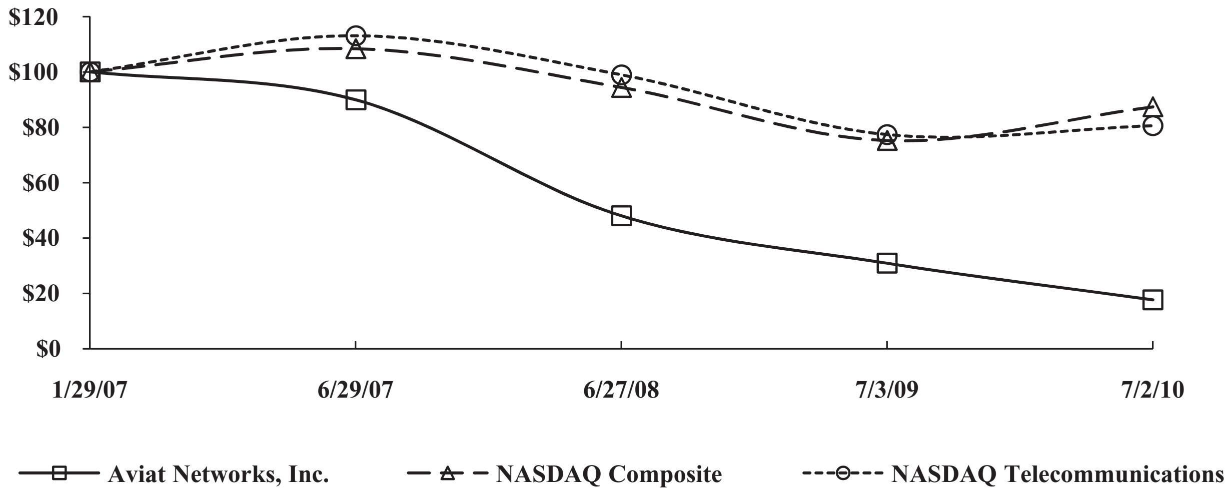
Issuer Repurchases of Equity Securities

During the fourth quarter of fiscal 2010, we did not repurchase any equity securities.

Performance Graph

The following graph and accompanying data compares the cumulative total return on our Common Stock with the cumulative total return of the Total Return Index for The NASDAQ Composite Market (U.S. Companies) and the NASDAQ Telecommunications Index for the three-year, five month period commencing January 29, 2007 and ending July 2, 2010. The stock price performance shown on the graph below is not necessarily indicative of future price performance. Note that this graph and accompanying data is "furnished," not "filed," with the Securities and Exchange Commission.

COMPARISON OF 41 MONTH CUMULATIVE TOTAL RETURN*
Among Aviat Networks, Inc., the NASDAQ Composite Index
and the NASDAQ Telecommunications Index



	1/29/2007	6/29/2007	6/27/2008	7/3/2009	7/2/2010
Aviat Networks, Inc.	100.00	89.90	47.90	30.75	17.50
NASDAQ Composite	100.00	108.40	94.36	75.13	87.34
NASDAQ Telecommunications	100.00	113.06	98.90	77.29	80.50

* Assumes (i) $100 invested on January 29, 2007 in Aviat Networks, Inc. Common Stock, the Total Return Index for The NASDAQ Composite Market (U.S. companies) and the NASDAQ Telecommunications Index; and (ii) immediate reinvestment of all dividends.

Item 6. *Selected Financial Data*

The following table summarizes our selected historical financial information for each of the last five fiscal years. The selected financial information as of and for the fiscal years ended July 2, 2010, July 3, 2009, June 27, 2008, June 29, 2007 and June 30, 2006 has been derived from our audited consolidated financial statements, for which data presented for fiscal years 2010, 2009 and 2008 are included elsewhere in this Annual Report on Form 10-K. This table should be read in conjunction with our other financial information, including "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and Notes, included elsewhere in this Annual Report on Form 10-K.

	Fiscal Years Ended				
	July 2, 2010	July 3, 2009	June 27, 2008	June 29, 2007	June 30, 2006
			(In millions)		
Revenue from product sales and services	$ 478.9	$ 679.9	$ 718.4	$ 507.9	$ 357.5
Cost of product sales and services	(345.5)	(505.5)	(528.2)	(361.2)	(275.2)
Net loss	(130.2)	(355.0)	(11.9)	(21.8)	(38.6)
Basic and diluted net loss per common share	(2.19)	(6.05)	(0.20)	(0.88)	N/A

	As of				
	July 2, 2010	July 3, 2009	June 27, 2008	June 29, 2007	June 30, 2006
			(In millions)		
Total assets	$447.0	$600.2	$977.3	$1,025.5	$344.9
Long-term liabilities	17.2	17.9	28.1	65.0	12.6
Total net assets	263.2	387.9	748.2	746.4	244.3

The following table summarizes certain charges, expenses and gains included in our net losses for each of the fiscal years in the five year period ended July 2, 2010.

	Fiscal Years Ended				
	July 2, 2010	July 3, 2009	June 27, 2008	June 29, 2007	June 30, 2006
			(In millions)		
Goodwill impairment charges	$ —	$279.0	$ —	$ —	$ —
Intangible impairment charges	63.2	32.6	—	—	—
Property, plant and equipment impairment charges	8.7	3.2	—	—	—
Other impairment charges and rebranding expenses	6.1	—	—	—	—
Charges for product transition, product discontinuances and inventory mark-downs	16.9	29.8	14.7	—	39.6
Amortization of purchased technology	8.2	7.5	7.1	3.0	—
Restructuring charges	7.1	8.2	9.3	9.3	—
Amortization of trade names, customer relationships, non-competition agreements and contract backlog	5.6	5.7	7.5	7.5	—
Executive severance	2.4	—	—	—	—
Amortization of the fair value adjustments related to fixed assets and inventory	0.6	1.7	2.8	9.0	—
Acquired in-process research and development	—	2.4	—	15.3	—
Cost of integration activities undertaken in connection with the Stratex merger	—	—	11.1	5.4	—
Gains from sale of building and Telsima acquisition purchase price settlement	(2.2)	—	—	—	—
Share-based compensation expense	3.2	2.9	7.8	5.7	1.7
	$119.8	$373.0	$60.3	$55.2	$41.3

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Overview of Business; Operating Environment and Key Factors Impacting Fiscal 2010 and 2011 Results

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand our results of operations and financial condition. MD&A is provided as a supplement to, and should be read in conjunction with, our financial statements and the accompanying notes.

We generate revenue by designing, developing, manufacturing and supporting a range of wireless networking products, solutions and services for mobile and fixed communications 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, multiplexers, etc, necessary to build and deploy a wireless transmission network, and a full suite of turnkey support services.

We work continuously to improve our established brands and to create new products that meet our customers' evolving needs and preferences. Our fundamental business goal is to generate superior returns for our stockholders over the long term. We believe that increases in revenue, segment operating profits, earnings per share, and return on average total capital are the key measures of financial performance for our business.

Fiscal Year 2010 was a challenging year. Over the past two years, we focused on creating a business model that provided end-to-end solutions for our customers' networks including IP mobile backhaul, WiMAX, energy and security solutions and managed services. This helped us expand our reach into new markets, but also required a large investment in resources. As we were in the midst of this expansion, the world fell into economic turmoil. Around the globe, access to capital, the growing demand for mobile broadband and the need to reduce costs and improve efficiency affected our customers' decisions regarding their network investments. To address this situation, the Board of Directors and management team decided to restructure our organization and refocus the strategic direction of the business. These changes will help us to scale our operations to meet the changing needs of our customers, markets and industry with increased flexibility and speed.

While we faced a difficult business environment, we continued to strengthen our balance sheet, reaching record cash levels. We are now entering a period of restructuring and turnaround that will require a strong balance sheet in order to successfully execute. In fiscal 2011, we are taking aggressive steps to restore profitability and accelerate innovation to maintain our position as a leading independent wireless transmission provider. Our strategic focus and the way we view our business has changed in the face of an altered global landscape.

On August 12, 2010, we announced a new restructuring plan as a first step in a comprehensive strategic plan to enable a return to profitability, and continue building out a stable platform to drive sustainable revenue growth. We expect to complete all key actions associated with this restructuring in fiscal 2011 in order to emerge in a stronger financial position going forward.

Strategic Focus

With fiscal 2010 behind us, we are focused on restructuring our business to restore profitability and streamlining our operations. We have a number of strategic and operational goals to execute:

- Align cost base with revenue generation levels
- Optimize product portfolio,
- Fixing business processes
- Growing top line
- Create a sustainable, profitable business model

To do this, we have examined our products, markets, facilities, development programs, and operational flows to ensure we're focused on what we do well and what will differentiate us in the future. We are working aggressively to streamline established management processes to run with the speed required by the markets in which we do business.

While we have been aggressive about our cost reduction plans, we have sought to balance that with a renewed focus on innovation to expand our position as a leading provider of wireless solutions. We have examined each of the products and markets where Aviat Networks does business and made strategic decisions to refocus or adjust resources to the product, service or geographic areas of the business that have the most promise.

In addition to taking steps to restructure the way we run the business today, we have also crafted a strategic plan that outlines our goals for the future. This strategic plan is designed to establish a firm foundation on which we can resume long-term profitable growth.

The first and most important step in this process is our emphasis on the microwave backhaul area, where we have a long history of leadership. We are seeing exciting opportunities in our core microwave backhaul business as service providers invest in IP technologies to meet the growing demand for broadband access around the world. Second, we are realigning the WiMAX business to be viewed as a technology, rather than as a market. We will use that technology to focus our attention on the wireless transmission business in a way that is complementary to our microwave backhaul business.

Third, we will increase focus on our services business as a strong differentiator. Our network operations and management services deliver peace of mind for customers, while allowing us to build a closer relationship to better understand their business needs while our network design and installation services enable us to provide customers with the expertise they require.

Operations Review

In the discussion below, our fiscal year ended July 2, 2010 is referred to as "fiscal 2010" or "2010"; fiscal year ended July 3, 2009 as "fiscal 2009" or "2009" and; fiscal year ended June 27, 2008 as "fiscal 2008" or "2008."

Revenue and Net Loss

	2010	2009	2010/2009 % Increase/ (Decrease)	2008	2009/2008 % Increase/ (Decrease)
	(In millions, except percentages)				
Revenue	$ 478.9	$ 679.9	(29.6)%	$718.4	(5.4)%
Net loss	$(130.2)	$(355.0)	N/M	$ (11.9)	N/M
% of revenue	N/M	N/M		(1.7)%	

N/M = Not meaningful, as used in tables throughout this MD&A.

Revenue — Fiscal 2010 Compared with 2009

Our revenue in fiscal year 2010 was $478.9 million, a decrease of $201.0 million or 29.6%, compared with fiscal year 2009. This decrease in revenue resulted from significant declines in all regions, most acutely in Africa and Europe, Middle East and Russia. 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.

Revenue in fiscal 2010 benefited from our adoption during the year of new revenue recognition accounting rules which resulted in the recognition of $7.9 million of revenue that otherwise would have been delayed under the prior revenue recognition rules. For additional information refer to the discussion under " — *Critical Accounting Estimates — Revenue Recognition,*" below.

Revenue — Fiscal 2009 Compared with 2008

Our revenue in fiscal 2009 was $679.9 million, a decrease of $38.5 million or 5.4%, compared with fiscal 2008. This decrease in revenue resulted from declines in all regions (except Africa) primarily due to the global economic recession and the continuing credit crisis adversely affecting our customers expansion, as well as increased competition from our competitors. Compared with fiscal 2008, revenue in fiscal 2009 in Europe, Middle East and Russia declined by $27.9 million, Latin America and Asia-Pacific declined $16.6 million, and North America was down $10.5 million. These decreases were partially offset by growth in Africa ($16.5 million increase) as customers in this region continued to expand their network infrastructures prior to the slowdown in the third quarter of fiscal 2009.

Major Customer in Fiscal 2010, 2009 and 2008

During fiscal 2010, the MTN group in Africa accounted for 17% of our total revenue compared with 17% in fiscal 2009 and 13% in fiscal 2008. We have entered into separate and distinct contracts with MTN as well as separate arrangements with MTN group subsidiaries. None of such other contracts on an individual basis are material to our operations. The loss of all MTN group business could adversely affect our results of operations, cash flows and financial position.

Revenue by Region

Revenue by region comparing fiscal 2010 with 2009 and 2008 with the related changes are shown in the tables below:

	Fiscal Year		Amount	Percentage
	2010	2009	Increase/(Decrease)	Increase/(Decrease)
	(In millions, except percentages)			
North America	$175.1	$232.0	$ (56.9)	(24.5)%
International:				
Africa	124.2	213.8	(89.6)	(41.9)%
Europe, Middle East, and Russia	88.4	139.7	(51.3)	(36.7)%
Latin America and AsiaPac	91.2	94.4	(3.2)	(3.4)%
Total International	303.8	447.9	(144.1)	(32.2)%
Total Revenue	$478.9	$679.9	$(201.0)	(29.6)%

	Fiscal Year		Amount	Percentage
	2009	2008	Increase/(Decrease)	Increase/(Decrease)
	(In millions, except percentages)			
North America	$232.0	$242.5	$(10.5)	(4.3)%
International:				
Africa	213.8	197.3	16.5	8.4%
Europe, Middle East, and Russia	139.7	167.6	(27.9)	(16.6)%
Latin America and AsiaPac	94.4	111.0	(16.6)	(15.0)%
Total International	447.9	475.9	(28.0)	(5.9)%
Total Revenue	$679.9	$718.4	$(38.5)	(5.4)%

Net Loss — Fiscal 2010 Compared with 2009

Our net loss in fiscal 2010 was $130.2 million compared with a net loss of $355.0 million in fiscal 2009. The net loss in fiscal 2010 included product transition charges to converge our products onto a single platform by the end of fiscal year 2010 and impairments for intangible assets, property, plant and equipment and certain other assets. Additionally, we incurred other charges and expenses including restructuring costs, amortization of purchased

intangibles, executive severance and share compensation expense. Finally, we recognized a $1.0 million gain on sale of our San Antonio, Texas property and a $1.2 million gain from settlement of a dispute related to the Telsima acquisition that resulted in a reduction of the purchase price.

These charges, expenses and gains are set forth on a comparative basis in the table below:

	Fiscal 2010	Fiscal 2009	Fiscal 2008
		(In millions)	
Goodwill impairment charges	$ —	$279.0	$ —
Intangible assets impairment charges	63.2	32.6	—
Property, plant and equipment impairment charges	8.7	3.2	—
Other impairment charges and rebranding expenses	6.1	—	—
Charges for product transition, product discontinuances and inventory mark-downs	16.9	29.8	14.7
Amortization of purchased technology	8.2	7.5	7.1
Restructuring charges	7.1	8.2	9.3
Amortization of trade names, customer relationships, non-competition agreements	5.6	5.7	7.5
Executive severance	2.4	—	—
Amortization of the fair value adjustments related to fixed assets and inventory	0.6	1.7	2.8
Acquired in-process research and development	—	2.4	—
Cost of integration activities undertaken in connection with the Stratex merger	—	—	11.1
Gains from sale of building and Telsima acquisition purchase price settlement	(2.2)	—	—
Share-based compensation expense	3.2	2.9	7.8
	$119.8	$373.0	$60.3

Net Loss — Fiscal 2009 Compared with 2008

The net loss of $355.0 million in fiscal 2009 compared with $11.9 million in fiscal 2009. The net loss in fiscal 2009 primarily resulted from impairment charges for goodwill and the trade name "Stratex," charges to accelerate our product transition towards a common IP-based platform and increasing the valuation allowance on certain deferred tax assets, as well as purchase accounting adjustments and other expenses related to the acquisitions of Stratex and Telsima.

Restructuring Charges in Fiscal 2010, 2009 and 2008

During fiscal 2010, we completed restructuring activities that commenced during fiscal 2009 to reduce our workforce in the U.S., France, Canada and other locations throughout the world. During fiscal 2010, our restructuring charges totaled $7.1 million consisting of:

- Severance, retention and related charges totaling $4.6 million associated with reduction in force activities.
- Charges totaling $0.5 million related to the relocation of U.S. employees to North Carolina from Florida.
- Charges totaling $2.0 million in facility lease obligation impairments primarily for facilities occupied in San Jose, California prior the relocation to our new corporate headquarters in Santa Clara, California.

During the first quarter of fiscal 2009, we announced a new restructuring plan (the "Fiscal 2009 Plan") to reduce our worldwide workforce. During fiscal 2008, we completed our restructuring activities implemented within the merger restructuring plans (the "Fiscal 2007 Plans") approved in connection with the January 26, 2007 merger between the Microwave Communications Division of Harris Corporation and Stratex. These restructuring plans

included the consolidation of facilities and operations of the predecessor entities in Canada, France, the U.S., China, Brazil and, to a lesser extent, Mexico, New Zealand and the United Kingdom.

During fiscal 2009, our net restructuring charges totaled $8.2 million consisted of:

- Severance, retention and related charges associated with reduction in force activities totaling $8.0 million (Fiscal 2009 Plan).
- Impairment of fixed assets (non-cash charges) totaling $0.4 million and facility restoration costs of $0.3 million at our Canadian location (Fiscal 2009 Plan).
- Adjustments to the restructuring liability under the 2007 Restructuring Plans for changes in estimates related to sub-tenant activity at our U.S.($0.1 million increase) and Canadian locations ($0.3 million decrease).
- Adjustments to the restructuring liability under the 2007 Restructuring Plans for changes in estimates to reduce the severance liability in Canada ($0.3 million decrease).

During fiscal 2008, we recorded $9.3 million of restructuring charges in connection with completion of the Fiscal 2007 Plans. These fiscal 2008 restructuring charges consisted of:

- Severance, retention and related charges associated with reduction in force activities totaling $3.4 million ($4.0 in fiscal 2008 charges, less $0.6 million for a reduction in the restructuring liability recorded for Canada and France).
- Lease impairment charges totaling $1.8 from implementation of fiscal 2007 plans and changes in estimates related to sub-tenant activity at our U.S. and Canadian locations.
- Impairment of fixed assets and leasehold improvements totaling $1.9 million at our Canadian location.
- Impairment of a recoverable value-added type tax in Brazil totaling $2.2 million resulting from our scaled down operations and reduced activity which negatively affected the fair value of this recoverable asset (included in “Other current assets” on our Consolidated Balance Sheets).

Gross Margin

	2010	2009	2010/2009 % Increase/ (Decrease)	2008	2009/2008 % Increase/ (Decrease)
	(In millions, except percentages)				
Revenue	$478.9	$679.9	(29.6)%	$718.4	(5.4)%
Cost of product sales and services	$345.5	$505.5	(31.7)%	$528.2	(4.3)%
Gross margin	$133.4	$174.4	(23.5)%	$190.2	(8.3)%
% of revenue	27.9%	25.7%		26.5%	

Fiscal 2010 Compared with 2009

Gross margin in fiscal 2010 was $133.4 million, or 27.9% of revenue, compared with $174.4 million, or 25.7% of revenue in fiscal 2009. Gross margin in fiscal 2010 was impacted by $16.9 million of charges to converge our products onto a single platform by the end of fiscal year 2010. These charges included $7.9 million related to provisions for legacy product excess and obsolete inventory, and $5.5 million for impairment of a building and idle equipment. Additionally, $3.5 million in charges were recorded for inventory purchase commitments and $8.2 million for amortization of purchased technology.

Our gross margin percentage improved during fiscal 2010 compared with fiscal 2009 due to the benefit from the pricing and structure of certain customer arrangements, primarily during the first two quarters of fiscal 2010. Gross margin also benefited from lower logistics expenses, lower manufacturing overhead and improved supplier pricing on select projects primarily during the first two quarters of fiscal 2010. However, these improvements were partially offset by a reduction in the volume of sales of our legacy products during the second half of fiscal 2010 which, combined with increased start-up production costs of new products and the items discussed above, adversely affected our gross margin.

By comparison, gross margin in fiscal 2009 was impacted by $37.9 million of write-offs consisting of $29.8 million in charges related to product transition, $7.5 million for amortization of purchased technology and $0.6 million of amortization of the fair value of adjustments for fixed assets acquired from Stratex.

Fiscal 2009 Compared with 2008

Gross margin in fiscal 2009 was $174.4 million, or 25.7% of revenue, compared with $190.2 million, or 26.5% of revenue in fiscal 2008. Gross margin in fiscal 2009 was reduced by $29.8 million in charges related to product transition, $7.5 million for amortization of purchased technology and $0.6 million of amortization of the fair value of adjustments for fixed assets acquired from Stratex.

By comparison, gross margin in fiscal 2008 was reduced by $14.7 million for inventory markdowns and impairment relating to product transitioning, $7.1 million of amortization on purchased technology, $0.8 million for amortization of the fair value of adjustments for fixed assets acquired from Stratex, and $1.5 million of merger integration costs.

Aside from the charges and expenses mentioned above, gross margin and gross margin percentage benefited from a favorable margin impact on some projects, gains on currency translations, decreased warranty expenses, favorable purchase price variance and product mix.

Research and Development Expenses

	2010	2009	2010/2009 % Increase/ (Decrease)	2008	2009/2008 % Increase/ (Decrease)
	(In millions, except percentages)				
Research and development expenses	$41.1	$40.4	1.7%	$46.1	(12.4)%
% of revenue	8.6%	5.9%		6.4%	

Fiscal 2010 Compared with 2009

R&D expenses were $41.1 million in fiscal 2010 compared with $40.4 million in fiscal 2009. As a percentage of revenue, these expenses increased to 8.6% in fiscal 2010 from 5.9% in fiscal 2009 due to 29.6% lower revenue and a 1.7% increase in spending. The increase in R&D spending, primarily labor costs, in fiscal 2010 compared with fiscal 2009 was primarily attributable to increases in the areas of WiMAX and energy, security and surveillance product development, but partially offset by a reduction in TRuepoint 6000 development efforts.

Fiscal 2009 Compared with 2008

Research and development (“R&D”) expenses were $40.4 million in fiscal 2009 compared with $46.1 million in fiscal 2008. As a percentage of revenue, these expenses decreased to 5.9% in fiscal 2009 from 6.4% in fiscal 2008 due to a decrease in spending. The decrease in spending in fiscal 2009 compared with fiscal 2008 was primarily attributable to the reduction in engineering workforce implemented in our restructuring plans during fiscal 2008.

Selling and Administrative Expenses

	2010	2009	2010/2009 % Increase/ (Decrease)	2008	2009/2008 % Increase/ (Decrease)
	(In millions, except percentages)				
Selling and administrative expenses	$141.0	$138.3	2.0%	$141.4	(2.2)%
% of revenue	29.4%	20.3%		19.7%	

Fiscal 2010 Compared with Fiscal 2009

The following table summarizes the significant increases and decreases to our selling and administrative expenses comparing fiscal 2010 with fiscal 2009:

	Increase/(Decrease) (In millions)
Increase in commissions paid to sales agents	$ 4.5
Increase in software amortization	2.5
Increase in selling expenses for new business initiatives (WiMAX and Network Security)	1.9
Increase in executive severance for former CEO	1.8
Increase due to rebranding and transitional costs due to corporate name change and costs to phase-out transitional services agreement with Harris	1.3
Reduction in bad debt expense	(7.3)
Reduction in software impairments included in selling and administrative expenses	(2.9)
Reduction in costs charged by Harris for administrative services	(2.5)
Other, net	3.4
	$ 2.7

The increase in selling and administrative expenses from commissions paid to sales agents resulted from a large contract with a customer in the Europe, Middle East and Russia region during fiscal 2010.

Fiscal 2009 Compared with Fiscal 2008

The following table summarizes the significant increases and decreases to our selling and administrative expenses comparing fiscal 2009 with fiscal 2008:

	Increase/(Decrease) (In millions)
Decrease in selling expenses and sales commissions due to lower order levels	$(13.0)
Decrease in integration costs related to acquisition of Stratex in fiscal 2007	(10.2)
Decrease in amounts accrued under bonus plans and share-based compensation due to lower profitability	(5.1)
Increase due to formation of chief operations officer group during fiscal 2009	6.3
Increase in administrative costs due to 4G and product unification and transition initiatives	5.8
Increase in allowance for uncollectible accounts	5.5
Increase in software costs, external audit, restatement and SOX consulting fees	3.3
Increase in marketing costs for channel marketing and tradeshows	1.7
Increase due to change in fair value of warrants	(0.6)
Other, net	3.2
	$ (3.1)

The chief operations officer group was formed in fiscal 2009 to centrally manage activities that provide support to all functions of our company. The costs related to this group include the development of a program manager group that drives our internal project execution and the business process engineering team that enhances system integration and facilitates process improvements throughout the company.

Income Taxes

	2010	2009	2010/2009 % Increase/ (Decrease)	2008	2009/2008 % Increase/ (Decrease)
	(In millions, except percentages)				
Loss before income taxes	$(134.0)	$(337.2)	N/M	$(13.9)	N/M
Income tax benefit (expense)	$ 3.8	$ (17.8)	N/M	$ 2.0	N/M
% of loss before income taxes	(2.8)%	(5.3)%		14.4%	

The income tax benefit for fiscal 2010 was $3.8 million. The variation between our income tax benefit and income tax benefit at the statutory rate of 35% on our pre-tax loss of $134.0 million was primarily due to a $4.4 million one-time benefit recognized for U.S. federal income tax loss carryback under the Worker, Homeownership and Business Assistance Act of 2009. This benefit was partially offset by a full valuation allowance on all domestic deferred tax assets created in fiscal 2010. The effective tax rate for fiscal 2010 primarily reflected the benefits of earnings and losses of foreign subsidiaries taxed at lower rates and a dividend from a foreign subsidiary.

The income tax expense for fiscal 2009 was $17.8 million. The variation between our income tax expense of $17.8 million and income tax benefit at the statutory rate of 35% on our pre-tax loss of $337.2 million was primarily due to our evaluation of the ability to realize certain deferred tax assets in future periods. We increased our valuation allowance on these deferred tax assets resulting from our assessment of positive and negative evidence. We concluded that additional valuation allowance was required, resulting in income tax expense of $25.1 million. The effective tax rate for fiscal 2009 otherwise reflects the benefits of lower taxed foreign earnings and losses.

Our fiscal 2008 tax benefit was the result of a pre-tax loss primarily due to the consolidation of our foreign operations, which are subject to income taxes at lower statutory rates.

Discussion of Business Segments

North America Segment

	2010	2009	2010/2009 % Increase/ (Decrease)	2008	2009/2008 % Increase/ (Decrease)
	(In millions, except percentages)				
Revenue	$175.1	$232.0	(24.5)%	$242.5	(4.3)%
Segment operating (loss) income	$ (64.2)	$ (63.4)	N/M	$ (8.0)	N/M
% of revenue	N/M	N/M		(3.3)%	

North America segment revenue decreased by $56.9 million, or 24.5%, in fiscal 2010 compared with fiscal 2009. This decrease in revenue resulted primarily from the economic recession and the continuing credit crisis adversely affecting our North America customers' expansion.

North America segment revenue decreased by $10.5 million, or 4.3%, in fiscal 2009 compared with fiscal 2008. This decrease in revenue resulted primarily from the economic recession and the continuing credit crisis adversely affecting our customers' expansion.

Our North America segment operating loss in fiscal 2010 was $64.2 million compared with a segment operating loss of $63.4 million in fiscal 2009. The loss in fiscal 2010 included charges to converge our products onto a single platform by the end of fiscal year 2010 and impairments for intangible assets, property, plant and equipment and certain other assets. Additionally, we incurred other charges and expenses including restructuring costs, amortization of purchased intangibles, executive severance and share compensation expense. Finally, we recognized a $1.0 million gain on sale of our San Antonio, Texas property.

Our North America segment had an operating loss of $63.4 million in fiscal 2009 primarily due to goodwill impairment and charges for the accelerated transition towards a common IP-based platform. The charges for this accelerated product transition included provisions for legacy product excess and obsolete inventory, and write-downs of property, plant, manufacturing and test equipment, and charges recorded for inventory purchase commitments. This compares with an operating loss of $8.0 million in fiscal 2008.

These charges, expenses and gains are set forth on a comparative basis in the table below.

	2010	2009	2008
		(In millions)	
Goodwill impairment charges	$ —	$31.8	$ —
Intangible assets impairment charges	5.1	10.7	—
Property, plant and equipment impairment charges	7.0	3.2	—
Other impairment charges and rebranding expenses	4.0	—	—
Charges for product transition and inventory mark-downs	16.9	25.3	12.9
Amortization of purchased technology	7.1	0.3	—
Restructuring charges	5.6	5.1	9.0
Amortization of trade names, customer relationships and non-compete agreements	4.6	2.7	2.7
Executive severance	2.4	—	—
Amortization of the fair value adjustments related to fixed assets	0.5	0.6	1.1
Cost of integration activities undertaken in connection with the merger	—	—	3.2
Gain on sale of building	(1.0)	—	—
Share-based compensation expense	2.9	1.8	7.4
	$55.1	$81.5	$36.3

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International Segment

	2010	2009	2010/2009 % Increase/ (Decrease)	2008	2009/2008 % Increase/ (Decrease)
		(In millions, except percentages)			
Revenue	$303.8	$ 447.9	(32.2)%	$475.9	(5.9)%
Segment operating loss	$ (69.1)	$(271.9)	N/M	$ (5.7)	N/M
% of revenue	(22.7)%	N/M		(1.2)%	

International segment revenue decreased by $144.1 million or 32.2% in fiscal 2010 compared with fiscal 2009. This decrease in revenue resulted from significant declines in all regions, most acutely in Africa and Europe, Middle East and Russia. These declines in revenue were primarily due to the global economic recession and the continuing credit crisis adversely affecting our customers' ability to finance expansion, as well as increased competition from our competitors.

International segment revenue decreased by $28.0 million or 5.9% in fiscal 2009 compared with fiscal 2008. This decrease in revenue resulted from declines in all regions (except Africa) primarily due to the global economic recession and the continuing credit crisis adversely affecting our customers' expansion. Compared with fiscal 2008, revenue in fiscal 2009 in Europe, Middle East and Russia declined by $27.9 million and Latin America and Asia-Pacific declined $16.6 million. These decreases were partially offset by growth in Africa ($16.5 million increase) as customers in this region continued to expand their network infrastructures prior to the slowdown in the third quarter of fiscal 2009.

The International segment operating loss of $69.1 million in fiscal 2010 resulted primarily from the decline in revenue when compared with fiscal 2009 and impairments for intangible assets and property, plant and equipment.

The International segment operating loss of $271.9 million in fiscal 2009 primarily resulted from impairment charges for goodwill and the trade name "Stratex," as well as charges related to the accelerated transition towards a common IP-based product platform. This compares with an operating loss of $5.7 million in fiscal 2008.

These charges, expenses and gains are set forth on a comparative basis in the table below.

	2010	2009	2008
		(In millions)	
Goodwill impairment charges	$ —	$247.2	$ —
Intangible assets impairment charges	58.1	21.9	—
Property, plant and equipment impairment charges	1.7	—	—
Other impairment charges and rebranding expenses	2.0	—	—
Charges for product transition and inventory mark-downs	—	4.5	1.8
Amortization of purchased technology	1.1	7.2	7.1
Restructuring charges	1.5	3.1	0.3
Amortization of trade names, customer relationships and non-compete agreements	1.1	3.0	4.8
Amortization of the fair value adjustments related to fixed assets	0.1	1.1	1.7
Acquired in-process research and development	—	2.4	—
Cost of integration activities undertaken in connection with the merger	—	—	7.9
Gain on Telsima acquisition purchase price settlement	(1.2)	—	—
Share-based compensation expense	0.3	1.1	0.4
	$64.7	$291.5	$24.0

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL STRATEGIES

Sources of Cash

As of July 2, 2010, our principal sources of liquidity consisted of $141.7 million in cash and cash equivalents and $56.0 million of available credit under our current $70 million credit facility.

As of July 2, 2010, approximately $82.0 million or 58% of our total cash and cash equivalents was held by entities domiciled in the United States. The remaining balance of $59.7 million or 42% 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

Our debt consisted of short-term debt of $5.0 million as of July 2, 2010 and $10.0 million as of July 3, 2009. We have a credit facility which provides for an initial committed amount of $70 million with an uncommitted option for an additional $50 million available with the same or additional banks. The initial term of our credit facility is three years expiring June 30, 2011 and provides for (1) demand borrowings (with no stated maturity date) (2) fixed term Eurodollar loans for up to six months or more as agreed with the banks, and (3) the issuance of standby or commercial letters of credit.

Demand borrowings carry an interest rate of the greater of Bank of America's prime rate or the Federal Funds rate plus 0.5%. Eurodollar loans were initially offered at LIBOR plus a spread of between 1.25% to 2.00% based on our current leverage ratio. Effective August 23, 2010, the terms of the facility were amended to change the spread on Eurodollar loans to 1.00% and to eliminate the leverage ratio covenant commencing with the fiscal quarter ended July 2, 2010 in exchange for cash collateralization of the borrowings and outstanding letters of credit. In addition, the liquidity ratio covenant was replaced with a minimum quick ratio covenant commencing with the fiscal quarter ended July 2, 2010. As of July 2, 2010, we were in compliance with these amended financial covenants.

The credit facility allows for borrowings of up to $70 million with available credit defined as $70 million less the outstanding balance of short-term borrowings ($5.0 million as of July 2, 2010) and letters of credit ($9.0 million as of July 2, 2010). Therefore, available credit as of July 2, 2010 was $56.0 million. The weighted average interest rate on our short-term borrowings was 2.48% as of July 2, 2010.

As of July 2, 2010, the amount under standby letters of credit outstanding totaled $1.2 million under a previous credit facility in effect as of the end of fiscal year 2008.

Based on covenants included as part of the credit facility as of June 30, 2008, and as amended effective July 2, 2010, we must maintain, as measured as of the last day of each fiscal quarter, a minimum quick ratio of 1.25 to 1 (defined as the ratio of (1) the sum of total unrestricted cash and equivalents, short-term marketable securities and 100% of total monetary receivables to (2) total current liabilities, excluding any collateralized loans and other liabilities). As of July 2, 2010, we were in compliance with these financial covenants and expect to remain in compliance through fiscal 2011.

We also have an uncommitted short-term line of credit of $0.2 million from a bank in New Zealand to support the operations of our subsidiary located there, all of which was available on July 2, 2010. This line of credit provides for short-term advances at various interest rates, may be terminated upon notice, is reviewed annually for renewal or modification, and is supported by a corporate guarantee.

Restructuring and Severance Payments

We have a liability for restructuring and other long-term liabilities from severance activities totaling $8.7 million as of July 2, 2010, of which $6.0 million is classified as a current liability and expected to be paid out in cash over the next year.

We continue to restructure and transform our business to realign resources and achieve desired cost savings in an increasingly competitive market. Following approval of our annual operating plan, on August 12, 2010 we announced that we will implement certain cost reduction initiatives in the range of $30.0 to $35.0 million for fiscal 2011. These initiatives primarily affect operations in the Americas, Asia and Europe. These actions are intended to bring the Company's operational cost structure in line with the changing dynamics of the microwave radio and telecommunications markets.

We expect to record approximately $11.0 million to $13.0 million of charges related to severance and employee-related costs and impairment of facilities during the first, second and third quarters of fiscal 2011. The severance and employee-related cash charges are expected to be approximately $9.0 million to $10.0 million. Additionally, we expect to record approximately $2.0 million of non-cash asset impairments and $1.0 million of lease impairment charges requiring cash payments. The impairment charges consist primarily of costs to close facilities in the Americas, Asia and Europe.

We expect to fund these future payments with available funds and cash flow provided by operations.

Contractual Obligations

As of July 2, 2010, we had contractual cash obligations for repayment of short-term debt and related interest, purchase obligations to acquire goods and services, payments for operating lease commitments, payments on our restructuring and severance liabilities, redemption of our preference shares and payment of the related required dividend payments and other current liabilities on our balance sheet in the normal course of business.

Cash payments due under these contractual obligations are estimated as follows:

	Obligations Due by Fiscal Year				
	Total	2011	2012 and 2013	2014 and 2015	After 2015
	(In millions)				
Short-term debt	$ 5.0	$ 5.0	$ —	$ —	$ —
Interest on short-term debt	0.1	0.1	—	—	—
Purchase obligations(1)	57.0	57.0	—	—	—
Operating lease commitments	40.0	10.5	10.3	6.0	13.2
Restructuring and other long-term liabilities	8.7	6.0	2.7	—	—
Redeemable preference shares(2)	8.3	—	—	—	8.3
Dividend requirements on redeemable preference shares(3)	6.6	1.0	2.0	2.0	1.6
Other current liabilities on the balance sheet	155.6	155.6	—	—	—
Total contractual cash obligations	$281.3	$235.2	$15.0	$8.0	$23.1

(1) From time to time in the normal course of business we may enter into purchasing agreements with our suppliers that require us to accept delivery of, and remit full payment for, finished products that we have ordered, finished products that we requested be held as safety stock, and work in process started on our behalf in the event we cancel or terminate the purchasing agreement. It is not our intent, nor is it reasonably likely, that we would cancel a purchase order that we have executed. Because these agreements do not specify fixed or minimum quantities, do not specify minimum or variable price provisions, and do not specify the approximate timing of the transaction, we have no basis to estimate any future liability under these agreements.

(2) Assumes the mandatory redemption will occur more than five years from July 2, 2010.

(3) The dividend rate is 12% and assumes no redemptions for five years from July 2, 2010.

Commercial Commitments

We have entered into commercial commitments in the normal course of business including surety bonds, standby letters of credit and other arrangements with financial institutions and insurers primarily relating to the guarantee of future performance on certain tenders and contracts to provide products and services to customers. As of July 2, 2010, we had commercial commitments on outstanding surety bonds, standby letters of credit, guarantees and other arrangements, as follows:

	Expiration of Commitments by Fiscal Year				
	Total	2011	2012	2013	After 2013
	(In millions)				
Standby letters of credit used for:					
Bids	$ 1.0	$ 1.0	$ —	$ —	$ —
Down payments	1.4	1.3	—	—	0.1
Performance	9.4	4.2	5.1	0.1	—
Warranty	—	—	—	—	—
	11.8	6.5	5.1	0.1	0.1
Surety bonds used for:					
Bids	0.3	0.3	—	—	—
Warranty	0.3	0.1	0.1	—	0.1
Payment guarantees	0.3	0.3	—	—	—
Performance	66.6	66.6	—	—	—
	67.5	67.3	0.1	—	0.1
Total commitments	$79.3	$73.8	$5.2	$0.1	$0.2

During fiscal year 2011, we expect to spend approximately $12.0 million to $13.0 million for capital expenditures.

We currently believe that existing cash and cash equivalents, funds generated from operations and access to our credit facility will be sufficient to provide for our anticipated requirements for working capital and capital expenditures for the next 12 months and the foreseeable future.

There can be no assurance, however, that our business will generate cash flow, or that anticipated operational improvements will be achieved. If we are unable to maintain cash balances or generate sufficient cash flow from operations to service our obligations, we may be required to sell assets, reduce capital expenditures, or obtain financing. If we need to obtain additional financing, we cannot be assured that it will be available on favorable terms, or at all. Our ability to make scheduled principal payments or pay interest on or refinance any future indebtedness depends on our future performance and financial results, which, to a certain extent, are subject to general conditions in or affecting the microwave communications market and to general economic, political, financial, competitive, legislative and regulatory factors beyond our control.

Off-Balance Sheet Arrangements

In accordance with the definition under SEC rules (Item 303(a) (4) (ii) of Regulation S-K), any of the following qualify as off-balance sheet arrangements:

- Any obligation under certain guarantee contracts;
- A retained or contingent interest in assets transferred to an unconsolidated entity or similar entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets;
- Any obligation, including a contingent obligation, under certain derivative instruments; and
- Any obligation, including a contingent obligation, under a material variable interest held by the registrant in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the registrant, or engages in leasing, hedging or research and development services with the registrant.

Currently we are not participating in transactions that generate relationships with unconsolidated entities or financial partnerships, including variable interest entities, and we do not have any material retained or contingent interest in assets as defined above. As of July 2, 2010, we did not have material financial guarantees or other contractual commitments that are reasonably likely to adversely affect liquidity. In addition, we are not currently a party to any related party transactions that materially affect our results of operations, cash flows or financial condition.

Due to our downsizing of certain operations pursuant to acquisitions, restructuring plans or otherwise, certain properties leased by us have been sublet to third parties. In the event any of these third parties vacate any of these premises, we would be legally obligated under master lease arrangements. We believe that the financial risk of default by such sublessors is individually and in the aggregate not material to our financial position, results of operations or cash flows.

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

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 nor 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 July 2, 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 July 2, 2010 was $41.9 million, of which $10.2 million were designated as cash flow hedges and $31.7 million were not designated as cash flow hedging instruments.

A 10% adverse change in currency exchange rates for our foreign currency derivatives held as of July 2, 2010 would have an impact of approximately $2.8 million on the fair value of such instruments. This quantification of exposure to the market risk associated with foreign exchange financial instruments does not take into account the offsetting impact of changes in the fair value of our foreign denominated assets, liabilities and firm commitments.

As of July 2, 2010, we had 41 foreign currency forward contracts outstanding with a total net notional amount of $14.1 million consisting of 13 different currencies, primarily the Canadian dollar, Euro, Philippine peso, Polish zloty, Singapore dollar and Republic of South Africa rand.

Following is a summary by currency of the contract net notional amounts grouped by the underlying foreign currency as of July 2, 2010:

		Contract Amount (Local Currency)	Contract Amount (USD)
		(In millions)	
Canadian dollar ("CAD") net contracts to receive (pay) USD	(CAD)	3.4	$ 3.2
Euro ("EUR") net contracts to receive (pay) USD	(EUR)	(2.9)	$ (3.5)
Philippine peso ("PHP") net contracts to receive (pay) USD	(PHP)	(136.3)	$ (3.0)
Polish zloty ("PLN") net contracts to receive (pay) USD	(PLN)	28.6	$ 8.6
Singapore dollar ("SGD") net contracts to receive (pay) USD	(SGD)	2.9	$ 2.1
Republic of South Africa rand ("ZAR") net contracts to receive (pay) USD	(ZAR)	31.2	$ 4.1
All other currencies net contracts to receive (pay) USD			$ 2.6
Total of all currencies			$14.1

As of July 3, 2009, we had 40 foreign currency forward contracts outstanding with a total net notional amount of $29.2 million consisting of 14 different currencies, primarily the Australian dollar, Canadian dollar, Euro and Polish zloty. Following is a summary by currency of the contract net notional amounts grouped by the underlying foreign currency as of July 3, 2009:

		Contract Amount (Local Currency)	Contract Amount (USD)
		(In millions)	
Australian dollar ("AUD") net contracts to receive (pay) USD	(AUD)	10.8	$ 8.6
Canadian dollar ("CAD") net contracts to receive (pay) USD	(CAD)	(5.7)	$ (5.0)
Euro ("EUR") net contracts to receive (pay) USD	(EUR)	10.4	$14.6
Polish zloty ("PLN") net contracts to receive (pay) USD	(PLN)	31.2	$ 9.6
All other currencies net contracts to receive (pay) USD			$ 1.4
Total of all currencies			$29.2

The following table presents the fair value of derivative instruments included within our Consolidated Balance Sheet as of July 2, 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	$0.1
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts	Other current assets	—	Other current liabilities	—
Total derivatives		$0.1		$0.1

The following table presents the fair value of derivative instruments included within our Consolidated Balance Sheet as of July 3, 2009:

	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	$0.2	Other current liabilities	$ —
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts	Other current assets	$0.9	Other current liabilities	$0.9
Total derivatives		$1.1		$0.9

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 fiscal 2010 and 2009 (in millions):

Locations of Gains (Losses) Recorded from Derivatives Designated as Cash Flow Hedges	2010	2009
	(In millions)	
Amount of gain (loss) of effective hedges recognized in Other Comprehensive Income	$ 0.6	$2.6
Amount of gain (loss) of effective hedges reclassified from Other Comprehensive Income into:		
Revenue	$(0.2)	$2.6
Cost of Products Sold	$ 0.2	$ —
Amount recorded into Cost of Products Sold associated with excluded time value	$ 0.2	$ —
Amount recorded into Cost of Products Sold due to hedge ineffectiveness	$ 0.1	$ —

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our cash equivalents and short-term debt borrowings.

Annual Report

Exposure on 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 designed 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 $141.7 million in total cash and cash equivalents as of July 2, 2010. Cash equivalents totaled $81.3 million as of July 2, 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 July 2, 2010 was one day, and these investments had an average yield of 0.23% 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 fiscal 2010, borrowings under our $70 million revolving credit facility incurred interest under the London Interbank Offered Rate ("LIBOR") plus 1.25% to 1.50%. As of July 2, 2010, our weighted average interest rate was 2.48%. During fiscal 2010, we had between $5 million and $15 million of short-term borrowings outstanding under the credit facility. We recorded total interest expense on these borrowings of $0.2 million during fiscal 2010. 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.

Impact of Foreign Exchange

Approximately 16% of our international business was transacted in non U.S. dollar currency environments in fiscal 2010 compared with 21% in fiscal 2009. The impact of translating the assets and liabilities of foreign operations to U.S. dollars is included as a component of stockholders' equity. As of July 2, 2010, the cumulative translation adjustment decreased stockholders' equity by $2.9 million compared with a decrease of $4.4 million as of July 3, 2009. As discussed above, we utilize foreign currency hedging instruments to minimize the currency risk of international transactions.

Seasonality

Our fiscal third quarter revenue and orders have historically been lower than the revenue and orders in the immediately preceding second quarter because many of our customers utilize a significant portion of their capital budgets at the end of their fiscal year, the majority of our customers begin a new fiscal year on January 1, and capital expenditures tend to be lower in an organization's first quarter than in its fourth quarter. We anticipate that this seasonality will continue. The seasonality between the second quarter and third quarter may be affected by a variety of factors, including changes in the global economy and other factors. Please refer to the section entitled "Risk Factors" in Item 1A.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us.

These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates, judgments or assumptions and actual results, our financial statements will be affected.

The accounting policies that reflect our more significant estimates, judgments and assumptions and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

- Revenue Recognition
- Inventory Valuation and Provision for Excess and Obsolete Inventory Losses
- Long-Lived Assets
- Income Taxes and Tax Valuation Allowances

In some cases, the accounting treatment of a particular transaction is specifically dictated by U.S. GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting among available alternatives would not produce a materially different result. Our senior management has reviewed these critical accounting policies and related disclosures with the Audit Committee of the Board of Directors.

The following is not intended to be a comprehensive list of all of our accounting policies or estimates. Our significant accounting policies are more fully described in "Note B — "Significant Accounting Policies and New Accounting Pronouncements" in the Notes to Consolidated Financial Statements. In preparing our financial statements and accounting for the underlying transactions and balances, we apply those accounting policies. We consider the estimates discussed below as critical to an understanding of our financial statements because their application places the most significant demands on our judgment, with financial reporting results relying on estimates about the effect of matters that are inherently uncertain.

Besides estimates that meet the "critical" accounting estimate criteria, we make many other accounting estimates in preparing our financial statements and related disclosures. All estimates, whether or not deemed critical, affect reported amounts of assets, liabilities, revenue and expenses as well as disclosures of contingent assets and liabilities. Estimates are based on experience and other information available prior to the issuance of the financial statements. Materially different results can occur as circumstances change and additional information becomes known, including for estimates that we do not deem "critical."

Revenue Recognition

We generate substantially all of our revenue from the sales or licensing of our microwave radio and wireless access systems, network management software, and professional services including installation and commissioning and training. Principal customers for our products and services include domestic and international wireless/mobile service providers, original equipment manufacturers, distributors, system integrators, as well as private network users such as public safety agencies, government institutions, and utility, pipeline, railroad and other industrial enterprises that operate broadband wireless networks. Our customers generally purchase a combination of our products and services as part of a multiple element arrangement. Our assessment of which revenue recognition guidance is appropriate to account for each element in an arrangement can involve significant judgment.

In October 2009, the FASB ratified ASC Update ("ASU") No. 2009-13, *Multiple-Deliverable Revenue Arrangements* (ASU 2009-13). ASU 2009-13 amends existing revenue recognition accounting standards that are currently within the scope of FASB ASC, Subtopic 605-25, which is the revenue recognition guidance for multiple-element arrangements. ASU 2009-13 provides for three significant changes to the existing multiple element revenue recognition guidance as follows:

- Deletes the requirement to have objective and reliable evidence of fair value for undelivered elements in an arrangement. This may result in more deliverables being treated as separate units of accounting.

- Modifies the manner in which the arrangement consideration is allocated to the separately identified deliverables. ASU 2009-13 requires an entity to allocate revenue in an arrangement using its best estimate of selling prices (ESP) of deliverables if a vendor does not have vendor-specific objective evidence of selling price (VSOE) or third-party evidence of selling price (TPE), if VSOE is not available. Each separate unit of accounting must have a selling price, which can be based on management's estimate when there is no other means (VSOE or TPE) to determine the selling price of that deliverable. The arrangement consideration is allocated based on the elements' relative selling prices.

- Eliminates use of the residual method and requires an entity to allocate revenue using the relative selling price method, which results in the discount in the transaction being evenly allocated to the separate units of accounting.

Concurrently with issuing ASU 2009-13, the FASB also issued ASU No. 2009-14, *Certain Revenue arrangements that Include Software Elements* (ASU 2009-14). ASU 2009-14 excludes software that is contained on a tangible product from the scope of software revenue guidance if the software component and the non-software component function together to deliver the tangible products' essential functionality.

As permitted by ASU 2009-13 and ASU 2009-14, we elected to early adopt these new accounting standards at the beginning of our first quarter of fiscal 2010 on a prospective basis for transactions originating or materially modified on or after July 4, 2009.

Under our revenue recognition policy before and after the adoption of ASU 2009-13 and ASU 2009-14, revenue is recognized when all of the following criteria have been met:

- Persuasive evidence of an arrangement exists. Contracts and customer purchase orders are generally used to determine the existence of an arrangement.

- Delivery has occurred. Shipping documents and customer acceptance, when applicable, are used to verify delivery.

- The fee is fixed or determinable. We assess whether the fee is fixed or determinable based on the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment.

- Collectibility is reasonably assured. We assess collectibility based primarily on the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history.

We often enter into multiple contractual agreements with the same customer. Such agreements are reviewed to determine whether they should be evaluated as one arrangement. If an arrangement, other than a long-term contract, requires the delivery or performance of multiple deliverables or elements, we determine whether the individual elements represent "separate units of accounting". In accordance with ASC 605-25 (as amended by ASU 2009-13), based on the terms and conditions of the product arrangements, we believe that our products and services can be accounted for separately as our products and services have value to our customers on a stand-alone basis. Accordingly, services not yet performed at the time of product shipment are deferred based on their relative selling price and recognized as revenue as such services are performed. The relative selling price of any undelivered products is also deferred at the time of shipment and recognized as revenue when these products are delivered. There is generally no customer right of return in our sales agreements. The sequence for typical multiple element arrangements: we deliver our products, perform installation services and then provide post-contract support services. The new revenue recognition standards do not generally change the units of accounting for our revenue transactions.

VSOE of fair value is based on the price charged when the element is sold separately. Under the new accounting standards, for multiple element arrangements, if VSOE cannot be established, we establish, where available, the selling price based on TPE. TPE is determined based on evidence of competitor pricing for similar deliverables when sold separately. When we cannot determine VSOE or TPE, we uses ESP in our allocation of arrangement consideration. The objective of ESP is to determine the price at which we would typically transact a stand-alone sale of the product or service. ESP is determined by considering a number of factors including our pricing policies, internal costs and gross margin objectives, method of distribution, information gathered from experience in customer negotiations, market research and information, recent technological trends, competitive

landscape and geographies. We regularly review VSOE, TPE and ESP and maintain internal controls over the establishment and updates of these estimates.

Prior to the adoption of ASU 2009-13 and ASU 2009-14, we recognized the revenue associated with each unit of accounting separately. If sufficient evidence of fair value could be established for all the elements of an arrangement, we allocated revenue to each element in the arrangement based on the relative fair value of each element and recognized that allocated revenue when each element met the criteria discussed above. However, we generally did not have sufficient evidence of the fair value for all elements of our arrangements, but we generally did have sufficient evidence of the fair value of the undelivered elements in our arrangements. In these cases, we allocated revenue using the residual method in which we deferred the fair value of the undelivered elements and allocated the remaining arrangement consideration to the delivered elements. If an arrangement involved the delivery of multiple items of the same elements that are only partially delivered at the end of a reporting period, revenue was allocated proportionately between the delivered and undelivered items.

Some of our products have both software and non-software components that function together to deliver the product's essential functionality. We had previously determined that except for our WiMAX products, the software element in its other products was incidental in accordance with the software revenue recognition rules. Accordingly, these other products were not within the scope of the software revenue recognition rules, ASC 985-605, *Software Revenue Recognition* (formerly SOP 97-2). We determined that given the significance of the software component's functionality to its WiMAX products, these products were within the scope of the software revenue recognition rules.

ASC 985-605 generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on their relative VSOE of fair values of the elements. We had not been able to establish VSOE for any of our WiMAX products or services. Thus, in accordance with ASC 985-605, all revenue was deferred until all elements of the arrangement have been delivered for all arrangements entered into prior to fiscal 2010.

In connection with its adoption of ASU 2009-13 and ASU 2009-14, we re-evaluated the appropriate revenue recognition treatment of our products and determined that the WiMAX products are scoped out of ASC 985-605 because the software and non-software elements substantively contribute to the tangible product's essential functionality and we would not sell the tangible products without the embedded software.

The impact of adopting ASU 2009-13 and ASU 2009-14 in fiscal 2010 was $7.9M, which was primarily related to the WiMAX business. This difference is due to the fact that we have not established VSOE for any WiMAX products under the previous guidance and thus would not have been able to recognize any revenue for any portion of these arrangements until all elements had been delivered. We cannot reasonably estimate the effect of adopting ASU 2009-13 and ASU 2009-14 on future financial periods as the impact will vary depending on the nature and volume of new or materially modified arrangements in any given period.

Revenues related to long-term contracts for customized network solutions are recognized using the percentage-of-completion method. In using the percentage-of-completion method, we generally apply the cost-to-cost method of accounting where sales and profits are recorded based on the ratio of costs incurred to estimated total costs at completion. Contracts are combined when specific aggregation criteria are met including when the contracts are in substance an arrangement to perform a single project with a customer; the contracts are negotiated as a package in the same economic environment with an overall profit objective; the contracts require interrelated activities with common costs that cannot be separately identified with, or reasonably allocated to the elements, phases or units of output and the contracts are performed concurrently or in a continuous sequence under the same project management at the same location or at different locations in the same general vicinity. Recognition of profit on long-term contracts requires estimates of the total contract value, the total cost at completion and the measurement of progress towards completion. Significant judgment is required when estimating total contract costs and progress to completion on the arrangements as well as whether a loss is expected to be incurred on the contract. Amounts representing contract change orders, claims or other items are included in sales only when they can be reliably estimated and realization is probable. When adjustments in contract value or estimated costs are determined, any changes from prior estimates are reflected in earnings in the current period. Anticipated losses on contracts or programs in progress are charged to earnings when identified.

For revenue recognition from the sale of software or products which have software which is more than incidental to the product as a whole, the entire fee from the arrangement is allocated to each of the elements based on the individual element's fair value, which must be based on vendor specific objective evidence of the fair value ("VSOE"). If VSOE can be established for the undelivered elements of an arrangement, we recognize revenue following the residual method. If VSOE cannot be established for the undelivered elements of an arrangement, we defer revenue until the earlier of delivery, or fair value of the undelivered element exists, unless the undelivered element is a service, in which the entire arrangement fee is recognized ratably over the period during which the services are expected to be performed.

Inventory Valuation and Provisions for Excess and Obsolete Losses

Our inventory has been valued at the lower of cost or market. We balance the need to maintain prudent inventory levels to ensure competitive delivery performance with the risk of excess or obsolete inventory due to changing technology and customer requirements. We regularly review inventory quantities on hand and record a provision for excess and obsolete inventory based primarily on our estimated forecast of product demand, anticipated end of product life and production requirements. The review of excess and obsolete inventory primarily relates to the microwave business segments. Several factors may influence the sale and use of our inventories, including decisions to exit a product line, technological change and new product development. These factors could result in a change in the amount of obsolete inventory quantities on hand. Additionally, our estimates of future product demand may prove to be inaccurate, in which case the provision required for excess and obsolete inventory may be overstated or understated. In the future, if we determine that our inventory is overvalued, we would be required to recognize such costs in cost of product sales and services in our Statement of Operations at the time of such determination. In the case of goods which have been written down below cost at the close of a fiscal year, such reduced amount is considered the cost for subsequent accounting purposes. We did not make any material changes in the valuation methodology during the past three fiscal years.

Long-Lived Assets

As of July 2, 2010, we have amounts on our Consolidated Balance Sheets of $6.2 million, $7.5 million and $37.6 million for Goodwill, Identifiable intangible assets and Property, plant and equipment.

During fiscal 2010, we recorded impairment charges of $63.2 million for identifiable intangible assets and $14.2 million for property, plant and equipment. We also reduced the remaining useful lives of our remaining $7.5 million of identifiable intangible assets to one to 5 years. During fiscal 2009, we recorded impairment charges of $279.0 million for goodwill and $32.6 million for the Stratex trade name. We did not record impairment losses for goodwill or identifiable intangible assets in fiscal 2008.

The fiscal 2010 impairment charges of our identifiable intangible assets were indicated by a decline in our market capitalization and recent and expected financial performance. The results of our impairment test indicated impairment related to certain amortizable intangible assets (developed technology and customer relationships), since the estimated undiscounted cash flows for these assets were less than their respective carrying values. The undiscounted cash flow and fair value calculations related to the developed technology were estimated based on a relief-from-royalty method, and the calculations related to the customer relationships were estimated based on an excess earnings method considering future sales and operating costs.

The property, plant and equipment impairment charges consisted of $5.5 million on our manufacturing facility and idle equipment in San Antonio, Texas, $7.9 million from an impairment review process and $0.8 million for software. The San Antonio impairment charge resulted from our plan to converge our products onto a single platform by the end of fiscal year 2010 and is included in "Charges for product transition" within "Cost of products sales and services" on our Consolidated Statement of Operations. The impairments from our impairment review process and software are included in "Property, plant and equipment impairment charges" on our Consolidated Statement of Operations.

We account for business combinations using the purchase method of accounting which means we record the assets acquired and liabilities assumed at their respective fair values at the date of acquisition, with any excess purchase price recorded as goodwill.

Valuation of intangible assets and in-process research and development requires significant estimates and assumptions including, but not limited to, determining the timing and expected costs to complete development projects, estimating future cash flows from product sales, developing appropriate discount rates, estimating probability rates for the successful completion of development projects, continuation of customer relationships and renewal of customer contracts.

We review the carrying value of our intangible assets and goodwill for impairment whenever events or circumstances indicate that their carrying amount may not be recoverable. Significant negative industry or economic trends, including a lack of recovery in the market price of our common stock, disruptions to our business, unexpected significant changes or planned changes in the use of the intangible assets, and mergers and acquisitions could result in the need to reassess the fair value of our assets and liabilities which could lead to an impairment charge for any of our intangible assets or goodwill. The value of our indefinite lived intangible assets and goodwill could also be impacted by future adverse changes such as any future declines in our operating results, a significant slowdown in the worldwide economy and the microwave industry or any failure to meet the performance projections included in our forecasts of future operating results.

We have two reporting units, consisting of our North America segment and International segment. Goodwill is tested for impairment annually during the fourth quarter of our fiscal year using a two-step process. First, we determine if the carrying amount of any of our reporting units exceeds its fair value (determined using an analysis of a combination of projected discounted cash flows and market multiples based on revenue and earnings before interest, taxes, depreciation and amortization), which would indicate a potential impairment associated with that reporting unit. If we determine that a potential impairment exists, we then compare the implied fair value associated with the respective reporting unit, to its carrying amount to determine if there is an impairment loss.

Evaluations of impairment involve management estimates of asset useful lives, future cash flows and discount rates. Significant management judgment is required in the forecasts of future operating results that are used in the evaluations. It is possible, however, that the plans and estimates used may prove to be inaccurate. If our actual results, or the plans and estimates used in future impairment analysis, are lower than the original estimates used to assess the recoverability of these assets, we could incur additional impairment charges in a future period.

We evaluate other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the assets. If impairment exists, the impairment loss is measured and recorded based on discounted estimated future cash flows. In estimating future cash flows, assets are grouped at the lowest levels for which there are identifiable cash flows that are largely independent of cash flows from other asset groups.

Our estimate of future cash flows is based upon, among other things, certain assumptions about expected future operating performance, growth rates and other factors. The actual cash flows realized from these assets may vary significantly from our estimates due to increased competition, changes in technology, fluctuations in demand, consolidation of our customers, reductions in average selling prices and other factors. Assumptions underlying future cash flow estimates are therefore subject to significant risks and uncertainties. *Note C — Goodwill and Identifiable Intangible Assets and Note G — Property, Plant and Equipments* provide additional information.

Income Taxes and Tax Valuation Allowances

We record the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in our Consolidated Balance Sheet, as well as operating loss and tax credit carryforwards. We follow very specific and detailed guidelines in each tax jurisdiction regarding the recoverability of any tax assets recorded on the balance sheet and provide necessary valuation allowances as required.

Future realization of deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character (for example, ordinary income or capital gain) within the carryback or carryforward periods available under the tax law.

We regularly review our deferred tax assets for recoverability based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning

strategies. We have not made any material changes in the methodologies used to determine our tax valuation allowances during the past three fiscal years.

Impact of Recently Issued Accounting Pronouncements

There are no accounting pronouncements that have recently been issued but have not yet been implemented by us that would have a material impact on our financial statements.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk.***

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. For a discussion of such policies and procedures and the related risks, see "Financial Risk Management" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," which is incorporated by reference into this Item 7A.

Item 8. ***Financial Statements and Supplementary Data***

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Aviat Networks, Inc. (formerly Harris Stratex Networks, Inc.)

We have audited the accompanying consolidated balance sheets of Aviat Networks, Inc. as of July 2, 2010 and July 3, 2009, and the related consolidated statements of operations, shareholders' equity and comprehensive loss, and cash flows for each of the three years in the period ended July 2, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aviat Networks, Inc. at July 2, 2010 and July 3, 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended July 2, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note B to the consolidated financial statements, in the year ended July 2, 2010, Aviat Networks, Inc. changed its method of accounting for revenue recognition for arrangements with multiple deliverables.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Aviat Networks, Inc.'s internal control over financial reporting as of July 2, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 9, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Raleigh, North Carolina
September 9, 2010

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Aviat Networks, Inc. (formerly Harris Stratex Networks, Inc.)

We have audited Aviat Networks, Inc.'s internal control over financial reporting as of July 2, 2010, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Aviat Networks, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Aviat Networks, Inc. maintained, in all material respects, effective internal control over financial reporting as of July 2, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Aviat Networks, Inc. as of July 2, 2010 and July 3, 2009, and the related consolidated statements of operations, shareholders' equity and comprehensive loss, and cash flows for each of the three years in the period ended July 2, 2010 of Aviat Networks, Inc. and our report dated September 9, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Raleigh, North Carolina
September 9, 2010

Annual Report

AVIAT NETWORKS, INC. (FORMERLY HARRIS STRATEX NETWORKS, INC.)

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Years Ended		
	July 2, 2010	July 3, 2009	June 27, 2008
	(In millions, except per share amounts)		
Revenue from product sales and services:			
Revenue from product sales	$ 370.0	$ 539.0	$ 595.2
Revenue from services	108.9	140.9	123.2
Total revenue from product sales and services	478.9	679.9	718.4
Cost of product sales and services:			
Cost of product sales	(247.9)	(362.0)	(433.2)
Cost of services	(72.5)	(106.2)	(87.9)
Charges for product transition	(16.9)	(29.8)	—
Amortization of purchased technology	(8.2)	(7.5)	(7.1)
Total cost of product sales and services	(345.5)	(505.5)	(528.2)
Gross margin	133.4	174.4	190.2
Research and development expenses	(41.1)	(40.4)	(46.1)
Selling and administrative expenses	(141.0)	(138.3)	(141.4)
Acquired in-process research and development	—	(2.4)	—
Amortization of identifiable intangible assets	(5.6)	(5.6)	(7.1)
Property, plant and equipment impairment charges	(8.7)	(3.2)	—
Restructuring charges	(7.1)	(8.2)	(9.3)
Goodwill impairment charges	—	(279.0)	—
Intangible assets and trade name impairment charges	(63.2)	(32.6)	—
Operating loss	(133.3)	(335.3)	(13.7)
Other income	1.2	—	—
Interest income	0.3	0.9	2.4
Interest expense	(2.2)	(2.8)	(2.6)
Loss before provision for or benefit from income taxes	(134.0)	(337.2)	(13.9)
(Provision for) benefit from income taxes	3.8	(17.8)	2.0
Net loss	$(130.2)	$(355.0)	$ (11.9)
Net loss per share of Common Stock (Note 1):			
Basic and diluted	$ (2.19)	$ (6.05)	$ (0.20)
Basic and diluted weighted average shares outstanding	59.4	58.7	58.4

(1) In fiscal years 2009 and 2008, we had Class A and Class B shares of common stock outstanding. The net loss per common share amounts were the same for Class A and Class B during fiscal years 2009 and 2008 because the holders of each class were legally entitled to equal per share distributions whether through dividends or in liquidation. There were no shares of Class B common stock outstanding during fiscal year 2010. Effective November 19, 2009, under a change to our certificate of incorporation approved by shareholders, all shares of our Class A common stock were reclassified on a one-to-one basis to shares of Common Stock without a class designation; we no longer have Class A or Class B common stock authorized, issued or outstanding.

See accompanying Notes to Consolidated Financial Statements

AVIAT NETWORKS, INC. (FORMERLY HARRIS STRATEX NETWORKS, INC.)

CONSOLIDATED BALANCE SHEETS

	July 2, 2010	July 3, 2009
	(In millions, except share and par value amounts)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 141.7	$ 136.8
Short-term investments	—	0.3
Receivables	104.8	142.9
Unbilled costs	30.2	27.8
Inventories	73.5	98.6
Other current assets	22.3	29.7
Total current assets	372.5	436.1
Long-Term Assets		
Property, plant and equipment	37.6	57.4
Goodwill	6.2	3.2
Identifiable intangible assets	7.5	84.1
Capitalized software	8.4	9.3
Non-current portion of notes receivable	—	0.4
Non-current deferred income taxes	13.1	8.0
Other assets	1.7	1.7
Total long-term assets	74.5	164.1
Total assets	$ 447.0	$ 600.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	$ 5.0	$ 10.0
Accounts payable	58.6	69.6
Accrued compensation and benefits	14.5	16.6
Other accrued expenses	45.3	54.9
Advance payments and unearned income	37.2	37.3
Restructuring liabilities	6.0	5.3
Current portion of long-term capital lease obligations	—	0.7
Total current liabilities	166.6	194.4
Long-Term Liabilities		
Long-term portion of capital lease obligations	—	1.1
Restructuring and other long-term liabilities	2.7	3.2
Redeemable preference shares	8.3	8.3
Reserve for uncertain tax positions	5.6	4.4
Deferred income taxes	0.6	0.9
Total Liabilities	183.8	212.3
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 59,400,059 shares as of July 2, 2010 and 58,903,177 shares as of July 3, 2009	0.6	0.6
Additional paid-in-capital	786.5	783.2
Accumulated deficit	(521.3)	(391.1)
Accumulated other comprehensive loss	(2.6)	(4.8)
Total Stockholders' Equity	263.2	387.9
Total Liabilities and Stockholders' Equity	$ 447.0	$ 600.2

See accompanying Notes to Consolidated Financial Statements

AVIAT NETWORKS, INC. (FORMERLY HARRIS STRATEX NETWORKS, INC.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Years Ended		
	July 2, 2010	July 3, 2009	June 27, 2008
	(In millions)		
Operating Activities			
Net loss	$(130.2)	$(355.0)	$(11.9)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Amortization of identifiable intangible assets acquired	13.8	13.8	13.9
Depreciation and amortization of property, plant and equipment and capitalized software	21.9	24.3	19.8
Goodwill impairment charges	—	279.0	—
Trade name impairment charges	—	32.6	—
Intangible assets impairment charges	63.2	—	—
Property, plant and equipment impairment charges	7.9	—	—
Non-cash share-based compensation expense	3.2	2.8	6.4
Charges for product transition and inventory mark-downs	13.5	29.3	14.7
Deferred income tax expense (benefit)	4.2	16.0	(7.5)
Non-cash other income	(1.2)	—	—
Acquired in-process research and development	—	2.4	—
Decrease in fair value of warrant liability	—	(0.6)	(3.3)
Changes in operating assets and liabilities, net of effects from acquisitions:			
Receivables	38.5	61.1	(13.7)
Unbilled costs and inventories	14.6	(9.6)	15.9
Accounts payable and accrued expenses	(20.1)	(18.7)	1.3
Advance payments and unearned income	(0.1)	7.2	7.8
Other assets and liabilities, net	(0.9)	(13.3)	(3.4)
Net cash provided by operating activities	28.3	71.3	40.0
Investing Activities			
Cash payments for Telsima acquisition, net of $1.1 million acquisition costs and cash acquired	(4.2)	(4.3)	—
Proceeds from sale of property, plant and equipment	5.4	—	—
Purchases of short-term investments	—	(1.2)	(9.2)
Sales and maturities of short-term investments	0.3	4.0	26.6
Additions of property, plant and equipment	(17.9)	(15.8)	(9.2)
Additions of capitalized software	(2.9)	(5.8)	(10.3)
Net cash used in investing activities	(19.3)	(23.1)	(2.1)
Financing Activities			
Proceeds from issuance of short-term debt	6.3	10.0	1.2
Payments on short-term debt	(11.3)	—	(2.4)
Payments on long-term debt	—	(9.8)	(10.7)
Payments on long-term capital lease obligations	(0.4)	(1.3)	(3.7)
Proceeds from exercise of stock options	0.1	—	1.5
Excess tax benefits from share-based compensation	—	—	0.7
Net cash used in financing activities	(5.3)	(1.1)	(13.4)
Effect of exchange rate changes on cash and cash equivalents	1.2	(5.3)	1.3
Net increase in cash and cash equivalents	4.9	41.8	25.8
Cash and cash equivalents, beginning of year	136.8	95.0	69.2
Cash and cash equivalents, end of year	$ 141.7	$ 136.8	$ 95.0
Supplemental disclosure of cash flow information:			
Cash paid (received) during the year for:			
Interest	$ 2.2	$ 2.8	$ 2.7
Income taxes	$ (3.6)	$ 2.6	$ 2.2

See accompanying Notes to Consolidated Financial Statements

AVIAT NETWORKS, INC. (FORMERLY HARRIS STRATEX NETWORKS, INC.)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE LOSS

	Common Stock	Common Stock Class A	Common Stock Class B	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
				(In millions)			
Balance as of June 29, 2007	$ —	$ 0.3	$ 0.3	$770.0	$ (24.2)	$ —	$ 746.4
Net loss	—	—	—	—	(11.9)	—	(11.9)
Foreign currency translation gain	—	—	—	—	—	4.1	4.1
Net unrealized loss on hedging activities	—	—	—	—	—	(0.3)	(0.3)
Comprehensive loss							(8.1)
Adjustment to capital from Harris Corporation	—	—	—	1.3	—	—	1.3
Proceeds from employee stock option exercises (129,038 shares)	—	—	—	1.5	—	—	1.5
Stock option tax benefits	—	—	—	0.7	—	—	0.7
Compensatory stock awards (73,740 shares)	—	—	—	6.4	—	—	6.4
Balance as of June 27, 2008	—	0.3	0.3	779.9	(36.1)	3.8	748.2
Net loss	—	—	—	—	(355.0)	—	(355.0)
Foreign currency translation loss	—	—	—	—	—	(8.5)	(8.5)
Net unrealized loss on hedging activities	—	—	—	—	—	(0.1)	(0.1)
Comprehensive loss							(363.6)
Adjustment to capital from Harris Corporation	—	—	—	0.5	—	—	0.5
Proceeds from employee stock option exercises (688 shares)	—	—	—	—	—	—	—
Conversion of 32,913,377 Class B shares to Class A shares	—	0.3	(0.3)	—	—	—	—
Compensatory stock awards (432,978 shares)	—	—	—	2.8	—	—	2.8
Balance as of July 3, 2009	—	0.6	—	783.2	(391.1)	(4.8)	387.9
Net loss	—	—	—	—	(130.2)	—	(130.2)
Foreign currency translation gain	—	—	—	—	—	1.5	1.5
Net unrealized gain on hedging activities	—	—	—	—	—	0.7	0.7
Comprehensive loss							(128.0)
Reclassification of Class A shares to Common Stock	0.6	(0.6)	—	—	—	—	—
Proceeds from employee stock option exercises (17,399 shares)	—	—	—	0.1	—	—	0.1
Compensatory stock awards (479,483 shares)	—	—	—	3.2	—	—	3.2
Balance as of July 2, 2010	$0.6	$ —	$ —	$786.5	$(521.3)	$(2.6)	$ 263.2

See accompanying Notes to Consolidated Financial Statements

Note A — Basis of Presentation and Nature of Operations

On January 28, 2010, Harris Stratex Networks, Inc. changed its name to Aviat Networks, Inc. ("we," "us," and "our") to more effectively reflect our business and communicate our brand identity to customers. Additionally, we changed our corporate name to comply with the termination of the Harris Corporation ("Harris") trademark licensing agreement resulting from the spin-off by Harris of its interest in our stock to its shareholders in May 2009.

Aviat Networks, Inc. may be referred to as the "Company," "AVNW," "Aviat Networks," "we," "us" and "our" in these Notes to Consolidated Financial Statements.

Basis of Presentation — The consolidated financial statements include the accounts of Aviat Networks and its wholly-owned and majority owned subsidiaries. Significant intercompany transactions and accounts have been eliminated.

Our fiscal year ends on the Friday nearest calendar June 30. This was July 2 for fiscal 2010, July 3 for fiscal 2009 and June 27 for fiscal 2008. Fiscal year 2009 included 53 weeks and fiscal years 2010 and 2008 each included 52 weeks. In these Notes to Consolidated Financial Statements, we refer to our fiscal years as "fiscal 2010," "fiscal 2009" and "fiscal 2008."

Reclassification — Prior to May 27, 2009, Harris owned approximately 56% of our outstanding common stock. As such, Harris was our majority stockholder and a related party for financial reporting purposes. Effective May 27, 2009, Harris distributed its entire ownership of our common stock to its shareholders. Accordingly, effective with the first quarter of fiscal 2010, Harris ceased to be considered a related party for financial reporting purposes. We have reclassified all amounts previously disclosed as related party transactions with Harris on our Statements of Operations, Balance Sheets and Statements of Cash Flows to the appropriate line items in the current presentation.

For fiscal 2009 and 2008 and as of July 3, 2009, these reclassifications from the previously disclosed line item to the current presentation included:

Consolidated Statement of Operations (fiscal 2009 and 2008):

- Revenue from product sales with Harris to Revenue from product sales ($6.0 million and $3.5 million); Cost of product sales with Harris to Cost of product sales ($2.4 million and $1.3 million); Cost of sales billed from Harris to Cost of product sales ($0.9 million and $4.8 million); Selling and administrative expenses with Harris to Selling and administrative expenses ($5.5 million and $7.0 million)

Consolidated Balance Sheet as of July 3, 2009:

- Current portion of long-term capital lease obligation to Harris of $0.5 million to Other accrued expenses; Due from Harris Corporation of $3.0 million to Other current assets; Long-term portion of capital lease obligation to Harris of $0.8 million to Other assets and liabilities, net

Consolidated Statement of Cash Flows (fiscal 2009 and 2008):

- Changes in operating assets and liabilities, Due to Harris to changes in Restructuring liabilities and other ($19.9 million and $0.4 million).

Out of Period Adjustment — During the closing of our books for the first quarter of fiscal 2010, we determined the need for an out-of-period adjustment in the classification of revenue on our fiscal 2009 Consolidated Statement of Operations between the line items of "Revenue from services" and "Revenue from product sales" and in the classification of cost of sales between "Cost of services" and "Cost of product sales." This reclassification had no impact on gross margin. For fiscal 2009, the impact of this reclassification increased "Revenue from services" by

$26.5 million, decreased "Revenue from product sales" by $26.5 million, increased "Cost of services" by $24.8 million and decreased "Cost of product sales" by $24.8 million.

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 broadband wireless access base stations and customer premises equipment based upon the IEEE 802.16d-2004 and 16e-2005 standards for fixed and mobile WiMAX, point-to-point digital microwave radio systems for access, backhaul, trunking and license-exempt applications, supporting new network deployments, network expansion, and capacity upgrades.

Note B — Significant Accounting Policies and New Accounting Pronouncements

Use of Estimates

Our Consolidated Financial Statements and the accompanying Notes to Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") which require us to make estimates, assumptions and judgments affecting the amounts reported and related disclosures.

Estimates are based upon historical factors, current circumstances and the experience and judgment of our management. We evaluate our estimates and assumptions on an ongoing basis and may employ outside experts to assist us in making these evaluations. Changes in such estimates, based on more accurate information, or different assumptions or conditions, may affect amounts reported in future periods.

Estimates affect significant items, including the following:

- Revenue recognition
- Provision for doubtful accounts
- Inventory valuation
- Fair value of goodwill and intangible assets
- Valuation allowances for deferred tax assets
- Uncertainties in income taxes
- Software development costs
- Restructuring obligations
- Product warranty obligations
- Share-based awards
- Contingencies
- Useful lives of intangible assets, property, plant and equipment

Cash, Cash Equivalents and Short-Term Investments

We consider all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents are carried at amortized cost, which approximates fair value due to the short-term nature of these investments. Amortization or accretion of premium or discount is included in interest income on the Consolidated Statements of Operations. We hold cash and cash equivalents at several major financial institutions, which often significantly exceed Federal Deposit Insurance Corporation insured limits. However, a substantial portion of the cash equivalents is invested in prime money market funds which are backed by the securities in the fund. Historically, we have not experienced any losses due to such concentration of credit risk.

We invest our excess cash in high-quality marketable debt securities to ensure that cash is readily available for use in our current operations. Investments with original maturities greater than three months but less than one year are accounted for as short-term and are classified as such at the time of purchase. All of our marketable securities are classified as "available-for-sale" because we view our entire portfolio as available for use in our current operations. Accordingly, we have classified all investments in marketable securities as short-term.

As of July 2, 2010, all of our high-quality marketable debt securities were classified as cash equivalents. Short-term investments as of July 3, 2009 consisted of one corporate note and its fair value of $0.3 million approximated cost. This short-term investment had a maturity date of July 15, 2009. Realized gains and losses on short-term investments are recorded in selling and administrative expenses and were not significant during fiscal 2010, 2009 and 2008.

See *Note D — Fair Value Measurements of Assets and Liabilities* for additional information.

Accounts Receivable, Major Customers and Other Significant Concentrations

We typically invoice our customers for the sales order (or contract) value of the related products delivered at various milestones, including order receipt, shipment, installation and acceptance and for services when rendered. Our trade receivables are derived from sales to customers located in North America, Africa, Europe, the Middle East, Russia, Asia-Pacific and Latin America. Generally, we do not require collateral; however, in certain circumstances, we may require letters of credit, additional guarantees or advance payments.

We record accounts receivable at net realizable value, which includes an allowance for estimated uncollectible accounts to reflect any loss anticipated on the collection of accounts receivable balances. We calculate the allowance based on our history of write-offs, level of past due accounts and economic status of the customers. The fair value of our accounts receivable approximates their net realizable value. See *Note E — Receivables* for additional information.

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 fiscal 2010, 2009 and 2008 we discounted customer letters of credit totaling $91.1 million, $84.7 million and $65.1 million and recorded related interest expense of $0.7 million, $1.0 million and $0.2 million.

During fiscal 2010, 2009 and 2008, we had one International segment customer in Africa (Mobile Telephone Networks or MTN) that accounted for 17%, 17% and 13% of our total revenue. As of July 2, 2010 and July 3, 2009, MTN accounted for approximately 7% and 6% of our accounts receivable.

Financial instruments that potentially subject us to a concentration of credit risk consist principally of cash equivalents, marketable debt securities, trade accounts receivable and financial instruments used in foreign currency hedging activities. We invest our excess cash primarily in prime money market funds, certificates of deposit, commercial paper and corporate notes. We are exposed to credit risks related to such investments in the event of default or decrease in credit-worthiness of the issuers of the investments. We perform ongoing credit evaluations of our customers and generally do not require collateral on accounts receivable, as the majority of our customers are large, well-established companies. We maintain reserves for potential credit losses, but historically have not experienced any significant losses related to any particular geographic area since our business is not concentrated within any particular geographic region. Our customers are primarily in the telecommunications industry, so our accounts receivable are concentrated within one industry and exposed to concentrations of credit risk within that industry.

We rely on sole providers for certain components of our products and rely on a limited number of contract manufacturers and suppliers to provide manufacturing services for our products. The inability of a contract manufacturer or supplier to fulfill our supply requirements could materially impact future operating results.

We have entered into agreements relating to our foreign currency contracts with large, multinational financial institutions. The amounts subject to credit risk arising from the possible inability of any such parties to meet the

terms of their contracts are generally limited to the amounts, if any, by which such party's obligations exceed our obligations to that party.

Inventories

Inventories are valued at the lower of cost (determined by average cost and first-in, first-out methods) or market. We regularly review inventory quantities on hand and record adjustments to reduce the cost of inventory for excess and obsolete inventory based primarily on our estimated forecast of product demand and production requirements. Inventory adjustments are measured as the difference between the cost of the inventory and estimated market value based upon assumptions about future demand and charged to the provision for inventory, which is a component of cost of sales. At the point of the loss recognition, a new, lower-cost basis for that inventory is established, and any subsequent improvements in facts and circumstances do not result in the restoration or increase in that newly established cost basis. See *Note F — Inventories* for additional information.

Income Taxes and Related Uncertainties

We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are determined based on the estimated future tax effects of temporary differences between the financial statement and tax basis of assets and liabilities, as measured by tax rates at which temporary differences are expected to reverse. Deferred tax expense (benefit) is the result of changes in deferred tax assets and liabilities. A valuation allowance is established to offset any deferred tax assets if, based upon the available information, it is more likely than not that some or all of the deferred tax assets will not be realized.

We are required to compute our income taxes in each federal, state, and international jurisdiction in which we operate. This process requires that we estimate the current tax exposure as well as assess temporary differences between the accounting and tax treatment of assets and liabilities, including items such as accruals and allowances not currently deductible for tax purposes. The income tax effects of the differences we identify are classified as current or long-term deferred tax assets and liabilities in our Consolidated Balance Sheets. Our judgments, assumptions, and estimates relative to the current provision for income tax take into account current tax laws, our interpretation of current tax laws, and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax laws or our interpretation of tax laws and the resolution of current and future tax audits could significantly impact the amounts provided for income taxes in our Consolidated Balance Sheets and Consolidated Statements of Operations. We must also assess the likelihood that deferred tax assets will be realized from future taxable income and, based on this assessment, establish a valuation allowance, if required. Our determination of our valuation allowance is based upon a number of assumptions, judgments, and estimates, including forecasted earnings, future taxable income, and the relative proportions of revenue and income before taxes in the various domestic and international jurisdictions in which we operate. To the extent we establish a valuation allowance or change the valuation allowance in a period, we reflect the change with a corresponding increase or decrease to our tax provision in our Consolidated Statements of Operations or to goodwill or intangible assets to the extent that the valuation allowance related to tax attributes of the acquired entities.

We use minimum recognition thresholds to establish tax positions to be recognized in the financial statements. We use a two-step process to determine the amount of tax benefit to be recognized. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as this requires us to determine the probability of various possible outcomes. We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision in the period. See Note O — *Income Taxes*, for additional information.

Property, Plant and Equipment

Property, plant and equipment are stated on the basis of cost less accumulated depreciation and amortization. We capitalize costs of software, consulting services, hardware and other related costs incurred to purchase or develop internal-use software. We expense costs incurred during preliminary project assessment, research and development, re-engineering, training and application maintenance. Leasehold improvements made either at the inception of the lease or during the lease term are amortized over the remaining current lease term, or estimated life, if shorter.

Depreciation and amortization are calculated using the straight-line method over the shorter of the estimated useful lives of the respective assets or any applicable lease term. The useful lives of the assets are generally as follows:

Buildings and leasehold improvements	2 to 45 years
Software developed for internal use	3 to 5 years
Machinery and equipment	2 to 10 years

Expenditures for maintenance and repairs are charged to expense as incurred. Cost and accumulated depreciation of assets sold or retired are removed from the respective property accounts, and the gain or loss is reflected in the Consolidated Statements of Operations. *Note G — Property, Plant and Equipment* provides additional information.

Goodwill, Identifiable Intangible Assets and Impairment of Long-Lived Assets

We account for business combinations using the purchase method of accounting which means we record the assets acquired and liabilities assumed at their respective fair values at the date of acquisition, with any excess purchase price recorded as goodwill.

Valuation of intangible assets and in-process research and development requires significant estimates and assumptions including, but not limited to, determining the timing and expected costs to complete development projects, estimating future cash flows from product sales, developing appropriate discount rates, estimating probability rates for the successful completion of development projects, continuation of customer relationships and renewal of customer contracts.

Intangible assets with an indefinite life are not amortized until their life is determined to be finite, and all other intangible assets must be amortized over their estimated useful lives.

Goodwill and intangible assets deemed to have indefinite lives are not amortized but instead are tested for impairment at the reporting unit level at least annually in the fourth quarter of our fiscal year. However, we review the carrying value of our intangible assets and goodwill for impairment whenever events or circumstances indicate that their carrying amount may not be recoverable. Significant negative industry or economic trends, including a lack of recovery in the market price of our common stock, disruptions to our business, unexpected significant changes or planned changes in the use of the intangible assets, and mergers and acquisitions could result in the need to reassess the fair value of our assets and liabilities which could lead to an impairment charge for any of our intangible assets or goodwill. The value of our indefinite lived intangible assets and goodwill could also be impacted by future adverse changes such as any future declines in our operating results, a significant slowdown in the worldwide economy and the microwave industry or any failure to meet the performance projections included in our forecasts of future operating results.

We have two reporting units, consisting of our North America segment and International segment. Goodwill is tested for impairment annually during the fourth quarter of our fiscal year using a two-step process. First, we determine if the carrying amount of any of our reporting units exceeds its fair value (determined using an analysis of a combination of projected discounted cash flows and market multiples based on revenue and earnings before interest, taxes, depreciation and amortization), which would indicate a potential impairment associated with that reporting unit. If we determine that a potential impairment exists, we then compare the implied fair value associated with the respective reporting unit, to its carrying amount to determine if there is an impairment loss.

Evaluations of impairment involve management estimates of asset useful lives and future cash flows. Significant management judgment is required in the forecasts of future operating results that are used in the evaluations. It is possible, however, that the plans and estimates used may prove to be inaccurate. If our actual results, or the plans and estimates used in future impairment analysis, are lower than the original estimates used to assess the recoverability of these assets, we could incur additional impairment charges in a future period which could result in charges that are material to our results of operations.

We evaluate other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the assets. If impairment exists, the impairment loss is measured and recorded based on discounted estimated future cash flows. In estimating future cash flows, assets are grouped at the lowest levels for which there are identifiable cash flows that are largely independent of cash flows from other asset groups.

Our estimate of future cash flows is based upon, among other things, certain assumptions about expected future operating performance, growth rates and other factors. The actual cash flows realized from these assets may vary significantly from our estimates due to increased competition, changes in technology, fluctuations in demand, consolidation of our customers, reductions in average selling prices and other factors. Assumptions underlying future cash flow estimates are therefore subject to significant risks and uncertainties. *Note C — Goodwill and Identifiable Intangible Assets and Note G — Property, Plant and Equipments* provide additional information.

Capitalized Software

Costs for the conceptual formulation and design of new software products are expensed as incurred until technological feasibility has been established (when we have a working model). Once technological feasibility has been established, we capitalize costs to produce the finished software products. Capitalization ceases when the product is available for general release to customers. Costs associated with product enhancements that extend the original product's life or significantly improve the original product's marketability are also capitalized once technological feasibility has been established.

Amortization is calculated on a product-by-product basis as the greater of the amount computed using (i) the ratio that current gross revenue for a product bear to the total of current and anticipated future gross revenue for that product; or (ii) the straight-line method over the remaining economic life of the product. At each balance sheet date, the unamortized capitalized cost of each computer software product is compared to the net realizable value of that product. If an amount of unamortized capitalized costs of a computer software product is found to exceed the net realizable value of that asset, such amount will be written off. The net realizable value is the estimated future gross revenue from that product reduced by the estimated future costs of completing and deploying that product, including the costs of performing maintenance and customer support required to satisfy our responsibility set forth at the time of sale.

Total amortization expense related to capitalized software was $2.8 million, $3.4 million and $2.9 million in fiscal 2010, 2009 and 2008.

Other Accrued Expenses and Other Assets

No accrued liabilities or expenses within the caption "Other accrued expenses" on our Consolidated Balance Sheets exceed 5% of our total current liabilities as of July 2, 2010 or as of July 3, 2009. "Other accrued expenses" on our Consolidated Balance Sheets primarily includes accruals for sales commissions, warranties and severance. No current assets other than those already disclosed on the Consolidated Balance Sheets exceed 5% of our total current assets as of July 2, 2010 or as of July 3, 2009. No assets within the caption "Other assets" on the Consolidated Balance Sheets exceed 5% of total assets as of July 2, 2010 or as of July 3, 2009.

Warranties

On product sales we provide for future warranty costs upon product delivery. The specific terms and conditions of those warranties vary depending upon the product sold and country in which we do business. In the case of

products sold by us, our warranties generally start from the delivery date and continue for two to three years, depending on the terms.

Our products are manufactured to customer specifications and their acceptance is based on meeting those specifications. Factors that affect our warranty liability include the number of installed units, historical experience and management's judgment regarding anticipated rates of warranty claims and cost per claim. We assess the adequacy of our recorded warranty liabilities every quarter and make adjustments to the liability as necessary.

Network management software products generally carry a 30-day to 90-day warranty from the date of acceptance. Our liability under these warranties is to provide a corrected copy of any portion of the software found not to be in substantial compliance with the agreed-upon specifications.

Our software license agreements generally include certain provisions for indemnifying customers against liabilities should our software products infringe a third party's intellectual property rights. As of July 2, 2010, we had not incurred any material costs as a result of such indemnification and have not accrued any liabilities related to such obligations in our consolidated financial statements. See *Note I — Accrued Warranties* for additional information.

Operating Leases

We lease facilities and equipment under various operating leases. These lease agreements generally include rent escalation clauses, and many include renewal periods at our option. We recognize expense for scheduled rent increases on a straight-line basis over the lease term beginning with the date we take possession of the leased space. Leasehold improvements made either at the inception of the lease or during the lease term are amortized over the current lease term, or estimated life, if shorter.

Contingent Liabilities

We have unresolved legal and tax matters, as discussed further in *Note O — Income Taxes* and *Note R — Legal Proceedings*. We record a loss contingency as a charge to operations when (i) it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements; and (ii) the amount of the loss can be reasonably estimated. Disclosure in the notes to the financial statements is required for loss contingencies that do not meet both those conditions if there is a reasonable possibility that a loss may have been incurred. Gain contingencies are not recorded until realized. We expense all legal costs incurred to resolve regulatory, legal and tax matters as incurred.

Periodically, we review the status of each significant matter to assess the potential financial exposure. If a potential loss is considered probable and the amount can be reasonably estimated, we reflect the estimated loss in our results of operations. Significant judgment is required to determine the probability that a liability has been incurred or an asset impaired and whether such loss is reasonably estimable. Further, estimates of this nature are highly subjective, and the final outcome of these matters could vary significantly from the amounts that have been included in our consolidated financial statements. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise estimates accordingly. Such revisions in the estimates of the potential liabilities could have a material impact on our results of operations and financial position.

Foreign Currency Translation

The functional currency of our subsidiaries located in the United Kingdom, Singapore, Mexico, Algeria and New Zealand is the U.S. dollar. Determination of the functional currency is dependent upon the economic environment in which an entity operates as well as the customers and suppliers the entity conducts business with. Changes in facts and circumstances may occur which could lead to a change in the functional currency of that entity. Accordingly, all of the monetary assets and liabilities of these subsidiaries are re-measured into U.S. dollars at the current exchange rate as of the applicable balance sheet date, and all non-monetary assets and liabilities are re-measured at historical rates. Income and expenses are re-measured at the average exchange rate prevailing during

the period. Gains and losses resulting from the re-measurement of these subsidiaries' financial statements are included in the Consolidated Statements of Operations.

Our other international subsidiaries use their respective local currency as their functional currency. Assets and liabilities of these subsidiaries are translated at the local current exchange rates in effect at the balance sheet date, and income and expense accounts are translated at the average exchange rates during the period. The resulting translation adjustments are included in accumulated other comprehensive income.

Gains and losses resulting from foreign exchange transactions and translation of monetary assets and liabilities in non-functional currencies are included in "Cost of product sales and services" in the accompanying Consolidated Statements of Operations. Net foreign exchange (losses) gains recorded in our Consolidated Statements of Operations during fiscal 2010, 2009 and 2008 totaled $0.3 million, $(7.4) million and $(1.3) million.

Retirement Benefits

As of July 2, 2010, we provided retirement benefits to substantially all employees primarily through our defined contribution retirement plans. These plans have matching and savings elements. Contributions by us to these retirement plans are based on profits and employees' savings with no other funding requirements. We may make additional contributions to the plan at our discretion.

Contributions to retirement plans are expensed as incurred. Retirement plan expense amounted to $2.8 million, $2.7 million and $3.8 million in fiscal 2010, 2009 and 2008.

Financial Guarantees, Commercial Commitments and Indemnifications

Guarantees issued by banks, insurance companies or other financial institutions are contingent commitments issued to guarantee our performance under borrowing arrangements, such as bank overdraft facilities, tax and customs obligations and similar transactions or to ensure our performance under customer or vendor contracts. The terms of the guarantees are generally equal to the remaining term of the related debt or other obligations and are generally limited to two years or less. As of July 2, 2010, we had no guarantees applicable to our debt arrangements. We have entered into commercial commitments in the normal course of business including surety bonds, standby letters of credit agreements and other arrangements with financial institutions primarily relating to the guarantee of future performance on certain contracts to provide products and services to customers. As of July 2, 2010, we had commercial commitments of $79.3 million outstanding, none of which are accrued for in our Consolidated Balance Sheets.

Under the terms of substantially all of our license agreements, we have agreed to defend and pay any final judgment against our customers arising from claims against such customers that our software products infringe the intellectual property rights of a third party. To date we have not received any notice that any customer is subject to an infringement claim arising from the use of our software products; we have not received any request to defend any customers from infringement claims arising from the use of our software products; and we have not paid any final judgment on behalf of any customer related to an infringement claim arising from the use of our software products. Because the outcome of infringement disputes are related to the specific facts in each case, and given the lack of previous or current indemnification claims, we cannot estimate the maximum amount of potential future payments, if any, related to our indemnification provisions. As of July 2, 2010, we had not recorded any liabilities related to these indemnifications.

Our standard license agreement includes a warranty provision for software products. We generally warrant for the first 90 days after delivery that the software shall operate substantially as stated in the then current documentation provided that the software is used in a supported computer system. We provide for the estimated cost of product warranties based on specific warranty claims, provided that it is probable that a liability exists and provided the amount can be reasonably estimated. To date, we have not had any material costs associated with these warranties.

Annual Report

Revenue Recognition

We generate substantially all of our revenue from the sales or licensing of our microwave radio and wireless access systems, network management software, and professional services including installation and commissioning and training. Principal customers for our products and services include domestic and international wireless/mobile service providers, original equipment manufacturers, distributors, system integrators, as well as private network users such as public safety agencies, government institutions, and utility, pipeline, railroad and other industrial enterprises that operate broadband wireless networks. Our customers generally purchase a combination of our products and services as part of a multiple element arrangement. Our assessment of which revenue recognition guidance is appropriate to account for each element in an arrangement can involve significant judgment.

Revenue from product sales is generated predominately from the sales of products manufactured by us and by third party manufacturers with whom we have outsourced our manufacturing processes. In general, printed circuit assemblies, mechanical housings, and packaged modules are manufactured by contract manufacturing partners, with periodic business reviews of material levels and obsolescence. Product assembly, product test, complete system integration and system test may either be performed within our own facilities or at partner locations.

Revenue from services includes certain installation, extended warranty, customer support, consulting, training and education. It also can include certain revenue generated from the resale of equipment purchased on behalf of customers for installation service contracts we perform for customers. Such equipment may include towers, antennas, and other related materials.

In October 2009, the FASB ratified ASC Update ("ASU") No. 2009-13, *Multiple-Deliverable Revenue Arrangements* (ASU 2009-13). ASU 2009-13 amends existing revenue recognition accounting standards that are currently within the scope of FASB ASC, Subtopic 605-25, which is the revenue recognition guidance for multiple-element arrangements. ASU 2009-13 provides for three significant changes to the existing multiple element revenue recognition guidance as follows:

- Deletes the requirement to have objective and reliable evidence of fair value for undelivered elements in an arrangement. This may result in more deliverables being treated as separate units of accounting.
- Modifies the manner in which the arrangement consideration is allocated to the separately identified deliverables. ASU 2009-13 requires an entity to allocate revenue in an arrangement using its best estimate of selling prices (ESP) of deliverables if a vendor does not have vendor-specific objective evidence of selling price (VSOE) or third-party evidence of selling price (TPE), if VSOE is not available. Each separate unit of accounting must have a selling price, which can be based on management's estimate when there is no other means (VSOE or TPE) to determine the selling price of that deliverable. The arrangement consideration is allocated based on the elements' relative selling prices.
- Eliminates use of the residual method and requires an entity to allocate revenue using the relative selling price method, which results in the discount in the transaction being evenly allocated to the separate units of accounting.

Concurrently with issuing ASU 2009-13, the FASB also issued ASU No. 2009-14, *Certain Revenue arrangements that Include Software Elements* (ASU 2009-14). ASU 2009-14 excludes software that is contained on a tangible product from the scope of software revenue guidance if the software component and the non-software component function together to deliver the tangible products' essential functionality.

As permitted by ASU 2009-13 and ASU 2009-14, we elected to early adopt these new accounting standards at the beginning of its first quarter of fiscal 2010 on a prospective basis for transactions originating or materially modified on or after July 4, 2009.

Under our revenue recognition policy before and after the adoption of ASU 2009-13 and ASU 2009-14, revenue is recognized when all of the following criteria have been met:

- Persuasive evidence of an arrangement exists. Contracts and customer purchase orders are generally used to determine the existence of an arrangement.
- Delivery has occurred. Shipping documents and customer acceptance, when applicable, are used to verify delivery.

- The fee is fixed or determinable. We assess whether the fee is fixed or determinable based on the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment.
- Collectibility is reasonably assured. We assess collectibility based primarily on the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history.

We often enter into multiple contractual agreements with the same customer. Such agreements are reviewed to determine whether they should be evaluated as one arrangement. If an arrangement, other than a long-term contract, requires the delivery or performance of multiple deliverables or elements, we determine whether the individual elements represent "separate units of accounting". In accordance with ASC 605-25 (as amended by ASU 2009-13), based on the terms and conditions of the product arrangements, we believe that our products and services can be accounted for separately as our products and services have value to our customers on a stand-alone basis. Accordingly, services not yet performed at the time of product shipment are deferred based on their relative selling price and recognized as revenue as such services are performed. The relative selling price of any undelivered products is also deferred at the time of shipment and recognized as revenue when these products are delivered. There is generally no customer right of return in our sales agreements. The sequence for typical multiple element arrangements: we deliver our products, performs installation services and then provide post-contract support services. The new revenue recognition standards do not generally change the units of accounting for our revenue transactions.

VSOE of fair value is based on the price charged when the element is sold separately. Under the new accounting standards, for multiple element arrangements, if VSOE cannot be established, we establish, where available, the selling price based on TPE. TPE is determined based on evidence of competitor pricing for similar deliverables when sold separately. When we cannot determine VSOE or TPE, we use ESP in our allocation of arrangement consideration. The objective of ESP is to determine the price at which we would typically transact a stand-alone sale of the product or service. ESP is determined by considering a number of factors including our pricing policies, internal costs and gross margin objectives, method of distribution, information gathered from experience in customer negotiations, market research and information, recent technological trends, competitive landscape and geographies. We regularly review VSOE, TPE and ESP and maintain internal controls over the establishment and updates of these estimates.

Prior to the adoption of ASU 2009-13 and ASU 2009-14, we recognized the revenue associated with each unit of accounting separately. If sufficient evidence of fair value could be established for all the elements of an arrangement, we allocated revenue to each element in the arrangement based on the relative fair value of each element and recognized that allocated revenue when each element met the criteria discussed above. However, we generally did not have sufficient evidence of the fair value for all elements of our arrangements, but we generally did have sufficient evidence of the fair value of the undelivered elements in our arrangements. In these cases, we allocated revenue using the residual method in which we deferred the fair value of the undelivered elements and allocated the remaining arrangement consideration to the delivered elements. If an arrangement involved the delivery of multiple items of the same elements that are only partially delivered at the end of a reporting period, revenue was allocated proportionately between the delivered and undelivered items.

Some of our products have both software and non-software components that function together to deliver the product's essential functionality. We previously determined that except for our WiMAX products, the software element in our other products was incidental in accordance with the software revenue recognition rules. Accordingly, these other products were not within the scope of the software revenue recognition rules, ASC 985-605, *Software Revenue Recognition* (formerly SOP 97-2). We had determined that given the significance of the software component's functionality to our WiMAX products, these products were within the scope of the software revenue recognition rules.

ASC 985-605 generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on their relative VSOE of fair values of the elements. We have not been able to establish VSOE for any of our WiMAX products or services. Thus, in accordance with ASC 985-605, all revenue was deferred until all elements of the arrangement have been delivered for all arrangements entered into prior to fiscal 2010.

In connection with its adoption of ASU 2009-13 and ASU 2009-14, we re-evaluated the appropriate revenue recognition treatment of our products and determined that the WiMAX products are scoped out of ASC 985-605

because the software and non-software elements substantively contribute to the tangible product's essential functionality and we would not sell the tangible products without the embedded software.

The impact of adopting ASU 2009-13 and ASU 2009-14 did not have a material impact on any amounts previously reported for the first three quarters of fiscal 2010. The impact to the fourth quarter was $7.9M, which was primarily related to the WiMAX business. This difference is due to the fact that we have not established VSOE for any WiMAX products under the previous guidance and thus would not have been able to recognize any revenue for any portion of these arrangements until all elements had been delivered. We believe that the new guidance significantly improves the reporting of these types of transactions to more closely reflect the underlying economics of the transactions. We cannot reasonably estimate the effect of adopting ASU 2009-13 and ASU 2009-14 on future financial periods as the impact will vary depending on the nature and volume of new or materially modified arrangements in any given period.

Revenues related to long-term contracts for customized network solutions are recognized using the percentage-of-completion method. In using the percentage-of-completion method, we generally apply the cost-to-cost method of accounting where sales and profits are recorded based on the ratio of costs incurred to estimated total costs at completion. Contracts are combined when specific aggregation criteria are met including when the contracts are in substance an arrangement to perform a single project with a customer; the contracts are negotiated as a package in the same economic environment with an overall profit objective; the contracts require interrelated activities with common costs that cannot be separately identified with, or reasonably allocated to the elements, phases or units of output and the contracts are performed concurrently or in a continuous sequence under the same project management at the same location or at different locations in the same general vicinity. Recognition of profit on long-term contracts requires estimates of the total contract value, the total cost at completion and the measurement of progress towards completion. Significant judgment is required when estimating total contract costs and progress to completion on the arrangements as well as whether a loss is expected to be incurred on the contract. Amounts representing contract change orders, claims or other items are included in sales only when they can be reliably estimated and realization is probable. When adjustments in contract value or estimated costs are determined, any changes from prior estimates are reflected in earnings in the current period. Anticipated losses on contracts or programs in progress are charged to earnings when identified.

For revenue recognition from the sale of software or products which have software which is more than incidental to the product as a whole, the entire fee from the arrangement is allocated to each of the elements based on the individual element's fair value, which must be based on vendor specific objective evidence of the fair value ("VSOE"). If VSOE can be established for the undelivered elements of an arrangement, we recognize revenue following the residual method. If VSOE cannot be established for the undelivered elements of an arrangement, we defer revenue until the earlier of delivery, or fair value of the undelivered element exists, unless the undelivered element is a service, in which the entire arrangement fee is recognized ratably over the period during which the services are expected to be performed.

Royalty income is recognized on the basis of terms specified in the contractual agreements.

Cost of Product Sales and Services

Cost of sales consists primarily of materials, labor and overhead costs incurred internally and paid to contract manufacturers to produce our products, personnel and other implementation costs incurred to install our products and train customer personnel, and customer service and third party original equipment manufacturer costs to provide continuing support to our customers. Also included in cost of sales is the amortization of purchased technology intangible assets.

Shipping and handling costs are included as a component of costs of product sales in our Consolidated Statements of Operations because we include in revenue the related costs that we bill our customers.

Presentation of Taxes Collected from Customers and Remitted to Government Authorities

We present taxes (e.g., sales tax) collected from customers and remitted to governmental authorities on a net basis (i.e., excluded from revenue).

Share-Based Compensation

We have issued stock options, restricted stock and performance shares under our 2007 Stock Equity Plan and assumed stock options from the Stratex acquisition. We estimate the grant date fair value of our share-based awards and amortize this fair value to compensation expense over the requisite service period or vesting term.

To estimate the fair value of our stock option awards, we use the Black-Scholes-Merton option-pricing model. The determination of the fair value of share-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables include our expected stock price volatility over the expected term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rate and expected dividends. Due to the inherent limitations of option-valuation models, including consideration of future events that are unpredictable and the estimation process utilized in determining the valuation of the share-based awards, the ultimate value realized by our employees may vary significantly from the amounts expensed in our financial statements. For restricted stock and performance share awards, we measure the grant date fair value based upon the market price of our common stock on the date of the grant.

For stock options and restricted stock, we recognize compensation cost on a straight-line basis over the awards' vesting periods for those awards which contain only a service vesting feature. For awards with a performance condition vesting feature, when achievement of the performance condition is deemed probable we recognize compensation cost on a straight-line basis over the awards' expected vesting periods.

We estimate forfeitures at the time of grant and revise, if necessary, in subsequent periods if actual forfeitures differ significantly from initial estimates. Share-based compensation expense was recorded net of estimated forfeitures such that expense was recorded only for those share-based awards that are expected to vest.

Cash flows, if any, resulting from the gross benefit of tax deductions related to share-based compensation in excess of the grant date fair value of the related share-based awards are presented as part of cash flows from financing activities. This amount is shown as a reduction to cash flows from operating activities and an increase to cash flow from financing activities. See *Note M — Share-Based Compensation* for additional information.

Net Loss per Share of Common Stock and Description of Shares Outstanding

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 nonforfeitable dividends or dividend equivalents (whether paid or unpaid) during the period. Such unvested share-based payment awards are considered to be participating securities.

During fiscal 2010, 2009 and 2008, 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. Because the stock options' exercise prices were greater than the average market price of our shares, the number of options excluded from the diluted loss per share calculations determined by applying the treasury stock method were not significant during fiscal 2010, 2009 and 2008.

From the time we acquired Stratex Networks, Inc. ("Stratex") on January 26, 2007, Harris owned 32,913,377 shares or 100% of our Class B Common Stock which approximated 56% of the total shares of our common stock. On May 27, 2009 Harris effected a spin-off, in the form of a taxable pro rata stock dividend, to its shareholders of all the shares of Harris Stratex owned by Harris. Harris stockholders received approximately 0.24 of a share of Harris Stratex Class A Common Stock for every share of Harris common stock they owned on the record date. The Class B Common Stock automatically converted to Class A Common Stock upon the spin-off event. Following the distribution, only Class A Common Stock was outstanding.

Effective November 19, 2009, under a change to our certificate of incorporation approved by shareholders, all shares of our Class A common stock were reclassified on a one-to-one basis to shares of Common Stock without a class designation; we no longer have Class A or Class B common stock authorized, issued or outstanding.

Restructuring and Related Expenses

We record a liability for costs associated with an exit or disposal activity when the liability is incurred. We also record (i) liabilities associated with exit and disposal activities measured at fair value; (ii) expenses for one-time termination benefits at the date the entity notifies the employee, unless the employee must provide future service, in which case the benefits are expensed ratably over the future service period; and (iii) liabilities related to an operating lease/contract at fair value and measured when the contract does not have any future economic benefit to the entity (i.e., the entity ceases to utilize the rights conveyed by the contract). We expense all other costs related to an exit or disposal activity as incurred. We record severance benefits provided as part of restructurings as part of an ongoing benefit arrangement, and accrue a liability for expected severance costs. Restructuring liabilities and the liability for expected severance costs are shown as "Restructuring liabilities" in current and long-term liabilities on our Consolidated Balance Sheets and the related costs are reflected as operating expenses in the Consolidated Statements of Operations. See *Note K — Restructuring Activities* for additional information.

Research and Development Costs

Our company-sponsored research and development costs, which include costs in connection with new product development, improvement of existing products, process improvement, and product use technologies, are charged to operations in the period in which they are incurred. We present research and development expenses and acquired in-process research and development costs as separate line items in our Consolidated Statements of Operations.

Segment Information

Through the end of fiscal year 2009, we reported three operating segments in our public filings: North America Microwave, International Microwave and Network Operations. During the first quarter of fiscal 2010, we realigned the management structure of our Network Operations segment to geographically integrate with our North America Microwave and International Microwave segments to gain cost efficiencies. As a result, we eliminated the Network Operations segment as a separate reporting unit and consolidated this segment into our remaining two segments that are based on the geographical location where revenue is recognized. Additionally, we have dropped the word "Microwave" from the name of our North America and International segments. Segment information for fiscal 2009 and 2008 have been adjusted to reflect this change.

Our Chief Executive Officer is the Chief Operating Decision-Maker (the "CODM"). Resources are allocated to each of these segments using information based primarily on their operating income (loss). Operating income (loss) is defined as revenue less cost of product sales and services, engineering, selling and administrative expenses, restructuring charges, acquired in-process research and development, and amortization of identifiable intangible assets. General corporate expenses are allocated to the North America and International segments based on revenue. Information related to assets, capital expenditures and depreciation and amortization for the operating segments is not part of the discrete financial information provided to and reviewed by the CODM. See *Note N — Business Segments* for additional information.

Initial Application of Accounting Standards

As discussed above in *Revenue Recognition,* we adopted the accounting standards for arrangements with multiple deliverables and arrangements associated with tangible products that contain software elements.

During fiscal 2010, we also adopted the following accounting standards, none of which had a material impact on our financial position, results of operations or cash flows:

- The Financial Accounting Standards Board ("FASB") Accounting Standards Codification(TM) ("Codification"), which is now the source of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied for financial statements issued for periods ending after September 2009. Additionally, we are using the new guidelines prescribed by the Codification when referring to GAAP, including the elimination of pre-Codification GAAP references unless accompanied by Codification GAAP references.

- The accounting standard previously deferring the effective date of the fair value measurement standard for disclosures related to nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. See *Note D — Fair Value Measurements of Assets and Liabilities* in these Notes to Consolidated Financial Statements for fair value disclosures required by this standard.

- The accounting standard requiring interim disclosures about fair value of financial instruments, which extends the annual disclosure requirements about fair value of financial instruments to interim reporting periods. See *Note D — Fair Value Measurements of Assets and Liabilities* in these Notes to Consolidated Financial Statements for fair value disclosures required by this standard.

- The accounting standard for determining whether instruments granted in share-based payment transactions are participating securities. There was no material change to our calculations of basic and diluted weighted average shares outstanding for prior periods.

- The accounting standards for accounting for business combinations, which significantly change the accounting and reporting requirements related to business combinations, including the recognition of acquisition-related transaction and post-acquisition restructuring costs in our results of operations as incurred. Additionally, these accounting standards require the capitalization of in-process research and development expenses. While the adoption of these standards did not have a material impact on our financial position, results of operations or cash flows directly in the first quarter of fiscal 2010, it is expected to have a significant effect on the accounting for any future acquisitions we make.

Note C — Goodwill and Identifiable Intangible Assets

As a result of our annual impairment reviews, during fiscal 2010, we recorded impairment charges of $63.2 million for identifiable intangible assets and during the second quarter of fiscal 2009 we recorded impairment charges of $279.0 million for goodwill and $32.6 million for the Stratex trade name. We did not record impairment losses for goodwill or identifiable intangible assets in fiscal 2008.

In the fourth quarter of fiscal 2010, we concluded that a potential impairment of our identifiable intangible assets existed due to a decline in our market capitalization and recent and expected financial performance. The results of our impairment test indicated impairment related to certain amortizable intangible assets (developed technology and customer relationships), since the estimated undiscounted cash flows for these assets were less than their respective carrying values. The undiscounted cash flow and fair value calculations related to the developed technology were estimated based on a relief-from-royalty method, and the calculations related to the customer relationships were estimated based on an excess earnings method considering future sales and operating costs. Discount rates ranging from 28% to 30% were applied to the cash flows used in the fair value calculations of intangible assets.

Summary of Goodwill

Changes in the carrying amount of goodwill during fiscal 2010 by segment were as follows:

	Goodwill			Accumulated Impairment Losses			Net Carrying Value
	North America	International	Total	North America	International	Total	
				(In millions)			
Balance as of beginning of fiscal year	$31.8	$250.4	$282.2	$(31.8)	$(247.2)	$(279.0)	$3.2
Purchase accounting adjustments	—	3.0	3.0	—	—	—	3.0
Balance as of end of fiscal year	$31.8	$253.4	$285.2	$(31.8)	$(247.2)	$(279.0)	$6.2

Changes in the carrying amount of goodwill during fiscal 2009 by segment were as follows:

	Goodwill			Accumulated Impairment Losses			Net Carrying Value
	North America	International	Total	North America	International	Total	
				(In millions)			
Balance as of beginning of fiscal year	$36.2	$248.0	$284.2	$ —	$ —	$ —	$ 284.2
Goodwill from the Telsima acquisition	—	3.2	3.2	—	—	—	3.2
Impairment charges	—	—	—	(31.8)	(247.2)	(279.0)	(279.0)
Translation adjustments related to acquisitions in prior years	(4.4)	(0.8)	(5.2)	—	—	—	(5.2)
Balance as of end of fiscal year	$31.8	$250.4	$282.2	$(31.8)	$(247.2)	$(279.0)	$ 3.2

The increase of $3.0 million to the goodwill balance sheet account during fiscal 2010 resulted from purchase accounting adjustments from our acquisition of Telsima Networks, Inc. on February 27, 2009.

The majority of our goodwill and the trade name "Stratex" were recorded in connection with the acquisition of Stratex in January 2007 and were included in the International segment of our business. In January 2009, we determined that based on the current global economic environment and the decline of our market capitalization, it was likely that an indicator of goodwill impairment existed as of the end of the second quarter of fiscal 2009. As a result, we performed an interim review for impairment as of the end of the second quarter of fiscal 2009 of our goodwill and other indefinite-lived intangible assets (consisting solely of the trade name "Stratex").

To test for potential impairment of our goodwill, we determined the fair value of each of our reporting segments based on projected discounted cash flows and market-based multiples applied to sales and earnings. In fiscal 2010, the results indicated that the estimated fair value of the International segment (the only reporting unit with goodwill) exceeded its corresponding carrying amount including recorded goodwill, and as such, no impairment existed.

During the second quarter of fiscal 2009, the results of our impairment tests indicated an impairment to goodwill, because the current carrying value of the North America and International segments exceeded their fair value. We then allocated these fair values to the respective underlying assets and liabilities to determine the implied fair value of goodwill, resulting in a $279.0 million charge to write down all of our goodwill. We determined the fair value of the trade name "Stratex" by performing a projected discounted cash flow analysis based on the relief-from-royalty approach, resulting in a $22.0 million charge to write down the trade name "Stratex" to $11.0 million as of April 3, 2009, the end of our third quarter in fiscal 2009.

During June 2009, subsequent to the May 27, 2009 spin-off by Harris of its majority interest or 56 percent of our common stock, Harris notified us of its intent to terminate the trademark license in effect between us since January 26, 2007. The new name of our Company did not include Harris or Stratex. Accordingly, the fair value of the indefinite-lived trade name "Stratex" was deemed to be impaired. We anticipated making this change by December 2009, which was an expected definite life of six months from July 3, 2009, the end of our fiscal year 2009. As a result, we determined the fair value of the trade name "Stratex" as of July 3, 2009 by performing a projected discounted cash flow analysis based on the relief-from-royalty approach, resulting in a $10.6 million charge to write down a majority of the trade name "Stratex" to a fair value of $0.4 million with a six-month remaining life.

We will not be required to make any current or future cash expenditures as a result of these impairments, and these impairments do not impact our financial covenant compliance under our credit arrangements or our ongoing financial performance.

Summary of Identifiable Intangible Assets

In addition to the identifiable intangible assets from the Telsima acquisition, we have other identifiable intangible assets related primarily to technology obtained through acquisitions prior to fiscal 2008. Our other identifiable intangible assets are being amortized over their useful estimated economic lives, which range from one to 5 years.

A summary of all of our identifiable intangible assets is presented below:

	Purchased Technology	Trade_ Names	Customer Relationships	Non-Compete Agreements	Total Identifiable Intangible Assets
			(In millions)		
Net identifiable intangible assets as of June 29, 2007	$ 72.6	$ 43.4	$ 27.4	$ 1.1	$ 144.5
Less: amortization expense fiscal 2008	(7.9)	(2.2)	(3.3)	(1.1)	(14.5)
Foreign currency translation fiscal 2008	0.1	—	—	—	0.1
Net identifiable intangible assets as of June 27, 2008	64.8	41.2	24.1	—	130.1
Add: acquired fair value of Telsima identifiable intangible assets	6.9	0.1	0.6	—	7.6
Less: amortization expense fiscal 2009	(8.1)	(2.3)	(3.3)	—	(13.7)
Impairment charge fiscal 2009	—	(32.6)	—	—	(32.6)
Tax adjustments related to valuation allowance	(3.8)	(0.6)	(2.4)	—	(6.8)
Foreign currency translation fiscal 2009	(0.5)	—	—	—	(0.5)
Net identifiable intangible assets as of July 3, 2009	59.3	5.8	19.0	—	84.1
Less: amortization expense fiscal 2010	(8.2)	(2.6)	(3.0)	—	(13.8)
Impairment charge fiscal 2010	(49.5)	—	(13.7)	—	(63.2)
Reclassification of tax adjustments	—	0.4	(0.4)	—	—
Foreign currency translation fiscal 2010	0.4	—	—	—	0.4
Net identifiable intangible assets as of July 2, 2010	$ 2.0	$ 3.6	$ 1.9	$ —	$ 7.5
Gross identifiable intangible assets as of July 2, 2010	$ 87.9	$ 11.9	$ 29.3	$ —	$ 129.1
Less accumulated amortization, impairment charges and other adjustments	(85.9)	(8.3)	(27.4)	—	(121.6)
Net identifiable intangible assets as of July 2, 2010	$ 2.0	$ 3.6	$ 1.9	$ —	$ 7.5
Amortization expense fiscal 2010	$ 8.2	$ 2.4	$ 3.2	$ —	$ 13.8
Amortization expense fiscal 2009	$ 8.1	$ 2.3	$ 3.3	$ —	$ 13.7
Amortization expense fiscal 2008	$ 7.9	$ 2.2	$ 3.3	$ 1.1	$ 14.5
Weighted Average Estimated Useful Life (in years)	3.0	1.6	5.0	—	—

At July 2, 2010, we estimate our future amortization of identifiable intangible assets with definite lives by year as follows:

	Fiscal Years Ending in June
	(In millions)
2011	$3.3
2012	2.5
2013	1.0
2014	0.4
2015	0.3
	$7.5

Acquisition of Telsima

On March 2, 2009, we announced that we closed the acquisition (the "Telsima Acquisition") of Telsima Corporation ("Telsima") of Sunnyvale, California. Telsima is a leading developer and provider of WiMAX Forum Certified(TM) products for use in next generation broadband wireless networks. The Telsima Acquisition closed on February 27, 2009 and Telsima became a wholly-owned subsidiary of HSNOC.

We completed the Telsima Acquisition to acquire WiMAX(TM) technology and products for use in next-generation broadband wireless networks and to enhance our ability to expand into new and emerging markets.

During the fourth quarter of fiscal 2010, subsequent to one year from the date of acquisition, we recorded a $1.2 million gain in "Other income" on our Consolidated Statement of Operations from the final settlement of the purchase price.

The Telsima acquisition was accounted for as a purchase business combination. The purchase price was determined as follows:

Calculation of Allocable Purchase Price	Telsima February 27, 2009
	(In millions)
Cash to be paid to Telsima shareholders under purchase agreement	$12.0
Acquisition costs	1.1
Total allocable purchase price	$13.1

The table below represents the allocation of the total consideration paid to the purchased tangible assets, identifiable intangible assets, goodwill and liabilities based on our assessment of their respective fair values as of the date of the Telsima acquisition.

Balance Sheet as of the Acquisition Date (In millions)	(In millions)
Cash and cash equivalents	$ 0.6
Accounts and notes receivable	2.1
Inventories	4.0
In-process research and development	2.4
Identifiable intangible assets	7.6
Goodwill	6.2
Property, plant and equipment	2.0
Other assets	4.0
Total assets	$28.9
Short-term debt	$ 1.0
Capital lease obligations	0.5
Accounts payable and accrued expenses	14.3
Total liabilities	15.8
Net assets acquired	$13.1

The table below summarizes the allocation of estimated identifiable intangible assets resulting from the Telsima acquisition. For purposes of this allocation, we assessed the fair value of Telsima identifiable intangible assets related to customer contracts, customer relationships, purchased technology and trade names based on the net present value of the projected income stream of these identifiable intangible assets. The resulting fair value is being amortized over the estimated useful life of each identifiable intangible asset on a straight-line basis. We estimated the fair value of acquired in-process research and development to be approximately $2.4 million, which we have reflected in "Acquired in-process research and development" expense in the Consolidated Statements of Operations during fiscal 2009. This represents certain technologies under development, primarily related to next generations of

the WiMAX(TM) product line. We estimated that the technologies under development were approximately 50 percent complete at the date of acquisition.

	Expense Type	Telsima Estimated Useful Life (Years)	Telsima Amount (In millions)
Purchased technology	Cost of product sales and services	6	$6.9
Other trade names	Selling and administrative	1	0.1
Customer relationships	Selling and administrative	7	0.6
			$7.6

The Telsima Acquisition has been accounted for under the purchase method of accounting. Accordingly, the Telsima results of operations have been included in the Consolidated Statements of Operations and Cash Flows since the acquisition date of February 27, 2009 and are included almost entirely in our International segment. The excess of the purchase price over the fair value of the identifiable tangible and intangible net assets acquired was assigned to goodwill. The goodwill resulting from the acquisition was associated primarily with the Telsima market presence and leading position, its growth opportunity in the markets in which it operated and its experienced work force.

The goodwill resulting from the Telsima Acquisition is deductible for tax purposes. The write-off of in-process research and development noted in the above table was included in our Consolidated Statement of Operations during fiscal 2009. We obtained the assistance of an independent valuation specialist to assist us in determining the allocation of the purchase price for the Telsima acquisition.

Pro Forma Results

The following summary, prepared on a pro forma basis, presents unaudited consolidated results of operations as if Telsima had been acquired as of the beginning of each of the periods presented, after including the impact of adjustments such as amortization of intangibles and the related income tax effects. This pro forma presentation does not include any impact of acquisition synergies.

	2009	2008
	(In millions, except per share data)	
Revenue from product sales and services — as reported	$ 679.9	$718.4
Revenue from product sales and services — pro forma	$ 698.9	$728.8
Net loss — as reported	$(355.0)	$(11.9)
Net loss — pro forma	$(380.3)	$(49.5)
Net loss per diluted common share — as reported	$ (6.05)	$(0.20)
Net loss per diluted common share — pro forma	$ (6.48)	$(0.85)

The pro forma results are not necessarily indicative of our results of operations had we owned Telsima for the entire periods presented.

Note D — 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 July 2, 2010 and July 3, 2009 are as follows:

	July 2, 2010		July 3, 2009		
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Valuation Inputs
			(In millions)		
Financial Assets:					
Cash	$60.4	$60.4	$95.7	$95.7	Level 1
Cash equivalents	$81.3	$81.3	$41.1	$41.1	Level 1
Short-term investments	$ —	$ —	$ 0.3	$ 0.3	Level 1
Foreign exchange forward contracts	$ 0.1	$ 0.1	$ 1.1	$ 1.1	Level 2
Financial Liabilities:					
Short-term debt	$ 5.0	$ 5.0	$10.0	$10.0	Level 2
Redeemable preference shares	$ 8.3	$ 8.3	$ 8.3	$ 8.3	Level 3
Foreign exchange forward contracts	$ 0.1	$ 0.1	$ 0.9	$ 0.9	Level 2

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

We have valued our redeemable preference shares at face value as of July 2, 2010 and July 3, 2009 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.

As a result of our fiscal 2010 annual impairment review, we determined the carrying value of certain identifiable intangible assets and property, plant and equipment was no longer recoverable. Our assessment of the fair value of these assets considered forecasted cash flows (Level 3 valuation inputs). The carrying value of our identifiable intangible assets was reduced to $7.5 million and property, plant and equipment was reduced to $37.6 million.

As of July 3, 2009, we had warrants outstanding to purchase shares of our Class A Common Stock. Our liability for warrants was classified as a Level 3 financial liability. As of July 3, 2009, warrants to purchase 520,445 shares of our Class A Common Stock were outstanding and had an exercise price of $11.80 per common share. These warrants expired unexercised during the first quarter of fiscal 2010 on September 24, 2009. The per share fair value of each warrant was $0.06 as of July 3, 2009 (less than $32,000 in the aggregate) and was determined based on the Black-Scholes-Merton model with the assumptions listed in the table below.

Dividend yield	0.0%
Expected volatility	79.8%
Risk-free interest rate	0.17%
Expected holding period	0.23 year

As a result of recording these outstanding warrants at fair value as of July 3, 2009, we recorded the change in fair value during fiscal 2009 and 2008 as a reduction of $0.6 million and $3.3 million to selling and administrative expenses on our Consolidated Statements of Operations. During fiscal 2010, 2009 and 2008, no warrants were exercised.

The following table sets a summary of changes in the fair value of our Level 3 financial liabilities (warrants) during fiscal 2009:

	(In millions)
Balance as of June 27, 2008	$ 0.6
Unrealized gain during the period	(0.6)
Balance as of July 3, 2009	$ —

Note E — Receivables

Our receivables are summarized below:

	July 2, 2010	July 3, 2009
	(In millions)	
Accounts receivable	$113.6	$163.1
Notes receivable due within one year — net	4.5	6.8
	118.1	169.9
Less allowances for collection losses	(13.3)	(27.0)
	$104.8	$142.9

During fiscal 2010, the net decrease to our allowance for collection losses was $13.7 million. This net decrease primarily consisted of $16.3 million for write-offs of accounts determined to be uncollectible partially offset by an increase of $2.6 million for estimated collection losses.

Note F — Inventories

Our inventories are summarized below:

	July 2, 2010	July 3, 2009
	(In millions)	
Finished products	$60.4	$63.0
Work in process	8.0	13.6
Raw materials and supplies	5.1	22.0
	$73.5	$98.6

During fiscal 2010, 2009 and 2008, we recorded charges to adjust our inventory to the lower of cost or market totaling $30.9 million, $23.1 million and $24.6 million. Such charges were 6.5%, 3.4%, and 3.4% of our revenue for fiscal 2010, 2009 and 2008. These charges were primarily due to excess and obsolete inventory resulting from product transitioning and discontinuance.

Note G — Property, Plant and Equipment

Our property, plant and equipment are summarized below:

	July 2, 2010	July 3, 2009
	(In millions)	
Land	$ 0.7	$ 1.2
Buildings	9.8	21.5
Software developed for internal use	6.7	11.6
Machinery and equipment	94.1	94.8
	111.3	129.1
Less allowances for depreciation and amortization	(73.7)	(71.7)
	$ 37.6	$ 57.4

During fiscal 2010, we recorded impairments of property, plant and equipment totaling $14.2 million. These charges consisted of $5.5 million on our manufacturing facility and idle equipment in San Antonio, Texas, $7.9 million recorded in connection with our impairment review process for goodwill and intangible assets and $0.8 million for software. The San Antonio impairment charge resulted from our plan to converge our products onto a single platform by the end of fiscal year 2010 and is included in "Charges for product transition" within "Cost of products sales and services" on our Consolidated Statement of Operations. The other impairments are included in "Property, plant and equipment impairment charges" on our Consolidated Statement of Operations. The San Antonio facility was sold in the fourth quarter of fiscal 2010.

During fiscal 2009, we recorded a $3.2 million impairment of software developed for internal use and a $7.2 million impairment of machinery and equipment related to our product transitioning activities. We also recorded a $2.4 million impairment of a building used in manufacturing that we classified as property held for sale. The machinery, equipment and building impairments were included in "Charges for product transition" within "Cost of products sales and services" on our Consolidated Statement of Operations and the software is included in "Property, plant and equipment impairment charges" on our Consolidated Statement of Operations.

During fiscal 2008, we recorded impairment losses on property, plant and equipment totaling $1.3 million included in "Selling and administrative expenses."

Depreciation and amortization expense related to plant and equipment, including software developed for internal use was $19.1 million, $20.5 million and $16.9 million in fiscal 2010, 2009 and 2008.

Note H — Credit Facility and Debt

Our debt consisted of short-term debt of $5.0 million as of July 2, 2010 and $10.0 million as of July 3, 2009.

Our credit facility provides for an initial committed amount of $70 million with an uncommitted option for an additional $50 million available with the same or additional banks. The initial term of our credit facility is three years expiring June 30, 2011 and provides for (1) demand borrowings (with no stated maturity date) (2) fixed term Eurodollar loans for up to six months or more as agreed with the banks, and (3) the issuance of standby or commercial letters of credit.

Demand borrowings carry an interest rate of the greater of Bank of America's prime rate or the Federal Funds rate plus 0.5%. Eurodollar loans were initially offered at LIBOR plus a spread of between 1.25% to 2.00% based on our current leverage ratio. On August 23, 2010, the terms of the facility were amended to change the spread on Eurodollar loans to 1.00% and to eliminate the leverage ratio covenant commencing with the fiscal quarter ended July 2, 2010 in exchange for cash collaterialization of the borrowings and outstanding letters of credit. In addition, the liquidity ratio covenant was replaced with a minimum quick ratio covenant commencing with the fiscal quarter ended July 2, 2010. As of July 2, 2010, we were in compliance with these amended financial covenants.

The credit facility allows for borrowings of up to $70 million with available credit defined as $70 million less the outstanding balance of short-term borrowings ($5.0 million as of July 2, 2010) and letters of credit ($9.0 million as of July 2, 2010). Therefore, available credit as of July 2, 2010 was $56.0 million. The weighted average interest rate on our short-term borrowings was 2.48% as of July 2, 2010.

As of July 2, 2010, the amount under standby letters of credit outstanding totaled $1.2 million under a previous credit facility in effect as of the end of fiscal year 2008.

We have an uncommitted short-term line of credit of $0.2 million from a bank in New Zealand to support the operations of our subsidiary located there, all of which was available on July 2, 2010. This line of credit provides for short-term advances at various interest rates, may be terminated upon notice, is reviewed annually for renewal or modification, and is supported by a corporate guarantee.

Note I — Accrued Warranties

We have accrued for the estimated cost to repair or replace products under warranty at the time of sale. Changes in warranty liability, which is included as a component of "Other accrued expenses" on the Consolidated Balance Sheets, during the fiscal years ended July 2, 2010 and July 3, 2009, were as follows:

	Fiscal Year Ended	
	July 2, 2010	July 3, 2009
	(In millions)	
Balance as of the beginning of the fiscal year	$ 5.5	$ 6.9
Acquisition of Telsima	—	0.3
Warranty provision for sales made during the fiscal year	0.9	4.0
Settlements made during the fiscal year	(3.2)	(5.7)
Balance as of the end of the fiscal year	$ 3.2	$ 5.5

Note J — Redeemable Preference Shares

During fiscal 2007, our Singapore subsidiary issued 8,250 redeemable preference shares to the U.S. parent company which, in turn, sold the shares to two unrelated investment companies at par value for total sale proceeds of $8.25 million. Upon original issuance in fiscal 2007, our former majority shareholder Harris guaranteed redemption of these preference shares directly with these two unrelated investment companies through the existence of put option arrangements. During May 2009, one of these unrelated investment companies exercised a put option with Harris and sold its entire interest in 3,250 redeemable preference shares at face value to Harris. Accordingly, Harris owns this partial interest in our redeemable preference shares outstanding as of July 2, 2010.

These redeemable preference shares represent less than a 1% interest in our Singapore subsidiary. The redeemable preference shares have an automatic redemption date of January 2017, which is 10 years from the date of issue. Preference dividends are cumulative and payable quarterly in cash at the rate of 12% per annum. The holders of the redeemable preference shares have liquidation rights in priority of all classes of capital stock of our Singapore subsidiary. The holders of the redeemable preference shares do not have any other participation in, or rights to, our profits, assets or capital shares, and do not have rights to vote as a shareholder of the Singapore subsidiary unless the preference dividend or any part thereof is in arrears and has remained unpaid for at least 12 months after it has been declared. During fiscal 2010, 2009 and 2008, preference dividends totaling $1.0 million in each fiscal year were recorded as interest expense in the accompanying Consolidated Statements of Operations. We have classified the redeemable preference shares as a long-term liability due to the mandatory redemption provision 10 years from issue date.

Our Singapore subsidiary has the right at any time after 5 years from the issue date to redeem, in whole or in part, the redeemable preference shares as follows:

- 105% of the issue price after 5 years but before 6 years from issue date
- 104% of the issue price after 6 years but before 7 years from issue date
- 103% of the issue price after 7 years but before 8 years from issue date
- 102% of the issue price after 8 years but before 9 years from issue date
- 101% of the issue price after 9 years but before 10 years from issue date
- 100% of the issue price at the automatic redemption date of 10 years from issue date

Note K — Restructuring Activities and Subsequent Event

During fiscal 2010, we completed restructuring activities that commenced during fiscal 2009 to reduce our workforce in the U.S., France, Canada and other locations throughout the world. During fiscal 2010, our restructuring charges totaled $7.1 million consisting of:

- Severance, retention and related charges totaling $4.6 million associated with reduction in force activities.
- Charges totaling $0.5 million related to the relocation of U.S. employees to North Carolina from Florida.
- Charges totaling $2.0 million in facility lease obligation impairments primarily for facilities occupied in San Jose, California prior the relocation to our new corporate headquarters in Santa Clara, California.

During the first quarter of fiscal 2009, we announced a new restructuring plan (the "Fiscal 2009 Plan") to reduce our worldwide workforce. During fiscal 2008, we completed our restructuring activities implemented within the merger restructuring plans (the "Fiscal 2007 Plans") approved in connection with the January 26, 2007 acquisition of Stratex. These restructuring plans included the consolidation of facilities and operations of the predecessor entities in Canada, France, the U.S., China, Brazil and, to a lesser extent, Mexico, New Zealand and the United Kingdom.

During fiscal 2009, our net restructuring charges totaled $8.2 million and consisted of:

- Severance, retention and related charges associated with reduction in force activities totaling $8.0 million (Fiscal 2009 Plan).
- Impairment of fixed assets (non-cash charges) totaling $0.4 million and facility restoration costs of $0.3 million at our Canadian location (Fiscal 2009 Plan).
- Adjustments to the restructuring liability under the 2007 Restructuring Plans for changes in estimates related to sub-tenant activity at our U.S.($0.1 million increase) and Canadian locations ($0.3 million decrease).
- Adjustments to the restructuring liability under the 2007 Restructuring Plans for changes in estimates to reduce the severance liability in Canada ($0.3 million decrease).

During fiscal 2008, we recorded $9.3 million of restructuring charges in connection with completion of the Fiscal 2007 Plans. These fiscal 2008 restructuring charges consisted of:

- Severance, retention and related charges associated with reduction in force activities totaling $3.4 million ($4.0 million in fiscal 2008 charges, less $0.6 million for a reduction in the restructuring liability recorded for Canada and France as of June 29, 2007).
- Lease impairment charges totaling $1.8 million from implementation of fiscal 2007 plans and changes in estimates related to sub-tenant activity at our U.S. and Canadian locations.
- Impairment of fixed assets and leasehold improvements totaling $1.9 million at our Canadian location.
- Impairment of a recoverable value-added type tax in Brazil totaling $2.2 million resulting from our scaled down operations and reduced activity which negatively affected the fair value of this recoverable asset (included in "Other current assets" on our Consolidated Balance Sheets).

The information in the following table summarizes our restructuring activity during the last three fiscal years and the remaining restructuring liability as of July 2, 2010.

	Severance and Benefits	Facilities and Other	Total
		(In millions)	
Total restructuring liability as of June 29, 2007	$ 7.8	$10.8	$ 18.6
Provision in fiscal 2008	4.0	5.9	9.9
Release of accrual to statement of operations in fiscal 2008	(0.6)	—	(0.6)
Amount credited to goodwill in fiscal 2008	—	(1.1)	(1.1)
Other adjustments to liability, including foreign currency translation during fiscal 2008	0.6	0.2	0.8
Non-cash charges in fiscal 2008	—	(4.1)	(4.1)
Cash payments in fiscal 2008	(10.0)	(3.2)	(13.2)
Total restructuring liability as of June 27, 2008	1.8	8.5	10.3
Provision in fiscal 2009 (Fiscal 2009 Plan)	7.9	0.3	8.2
Reversal of accrual in fiscal 2009 to statement of operations for changes in estimates (Fiscal 2007 Plans)	(0.2)	(0.2)	(0.4)
Non-cash charges in fiscal 2009 (Fiscal 2009 Plan)	—	(0.4)	(0.4)
Cash payments in fiscal 2009	(7.0)	(2.9)	(9.9)
Total restructuring liability as of July 03, 2009	2.5	5.3	7.8
Provision in fiscal 2010 (Fiscal 2009 Plan)	4.6	2.5	7.1
Cash payments in fiscal 2010	(4.9)	(3.6)	(8.5)
Total restructuring liability as of July 02, 2010	$ 2.2	$ 4.2	$ 6.4
Current portion of restructuring liability as of July 2, 2010	$ 2.2	$ 3.8	$ 6.0
Long-term portion of restructuring liability as of July 2, 2010	—	0.4	0.4
Total restructuring liability as of July 2, 2010	$ 2.2	$ 4.2	$ 6.4

We continue to restructure and transform our business to realign resources and achieve desired cost savings in an increasingly competitive market. Following approval of our annual operating plan, on August 12, 2010 we announced that we will implement certain cost reduction initiatives in the range of $30 to $35 million for fiscal 2011. These initiatives primarily affect operations in the Americas, Asia and Europe. These actions are intended to bring the Company's operational cost structure in line with the changing dynamics of the microwave radio and telecommunications markets.

Note L — Accumulated Other Comprehensive (Loss) Income

The changes in components of our accumulated other comprehensive (loss) income during fiscal 2010, 2009 and 2008 are as follows:

	Foreign Currency Translation	Hedging Derivatives	Total Accumulated Other Comprehensive (Loss) Income
Balance as of June 29, 2007	$ —	$ —	$ —
Foreign currency translation gain	4.1	—	4.1
Net unrealized loss on hedging activities	—	(0.3)	(0.3)
Balance as of June 27, 2008	4.1	(0.3)	3.8
Foreign currency translation loss	(8.5)	—	(8.5)
Net unrealized loss on hedging activities	—	(0.1)	(0.1)
Balance as of July 3, 2009	(4.4)	(0.4)	(4.8)
Foreign currency translation loss	1.5	—	1.5
Net unrealized loss on hedging activities	—	0.7	0.7
Balance as of July 3, 2009	$(2.9)	$ 0.3	$(2.6)

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Note M — Share-Based Compensation

As of July 2, 2010, we had one stock incentive plan for our employees and outside directors, the 2007 Stock Equity Plan, as amended and restated effective November 19, 2009 (the “2007 Stock Equity Plan” or the “plan”). This plan was adopted by our board of directors and approved by Harris as our sole shareholder in January 2007 and the amended and restated plan was approved by our shareholders on November 19, 2009. The plan provides for accelerated vesting of certain share-based awards if there is a change in control. Shares of our Common Stock remaining available for future issuance under the plan totaled 6,593,588 as of July 2, 2010. Our 2007 Stock Equity Plan provides for the issuance of share-based awards in the form of stock options, restricted stock and performance share awards.

We also assumed all of the former Stratex outstanding stock options as of January 26, 2007, as part of the Stratex acquisition. We recognized $0.1 million, $1.6 million and $2.8 million in compensation expense relating to services provided during fiscal 2010, 2009 and 2008 for the portion of these stock options that were unvested as of January 26, 2007.

Some of our employees who were formerly employed by Harris prior to the acquisition of Stratex participate in Harris’ three shareholder-approved stock incentive plans (the “Harris Plans”) under which options or other share-based compensation is outstanding. In total, the compensation expense (credit) related to the Harris Plans’ share-based awards was ($0.1) million, $0.1 million and $1.4 million during fiscal 2010, 2009 and 2008. These costs have been settled with Harris by cash. Harris has not made any awards to our employees since the date of the Stratex acquisition.

Upon the exercise of stock options, vesting of restricted stock awards, or vesting of performance share awards, we issue new shares of our Common Stock. Currently, we do not anticipate repurchasing shares to provide a source of shares for our rewards of share-based compensation.

In total, compensation expense for share-based awards was $3.2 million, $2.9 million and $7.8 million for fiscal 2010, 2009 and 2008. Amounts were included in our Consolidated Statements of Operations as follows:

	2010	2009	2008
		(In millions)	
Cost of product sales and services	$0.2	$0.3	$ 1.2
Research and development expenses	0.6	0.7	1.3
Selling and administrative expenses	2.4	1.9	5.3
Total compensation expense	3.2	2.9	7.8
Less related income tax benefit recognized	—	—	(0.7)
Total net of income tax benefits	$3.2	$2.9	$ 7.1

Stock Options Awarded Under our 2007 Stock Equity Plan

The following information relates to stock options that have been granted under our 2007 Stock Equity Plan. Option exercise prices are equal to the fair market value on the date the options are granted using our closing stock price. Options may be exercised for a period set at the time of grant, generally 7 years after the date of grant, and they generally vest in installments of 50% one year from the grant date, 25% two years from the grant date and 25% three years from the grant date or one-third annually over a three year period from date of grant.

The fair value of each option award under our 2007 Stock Equity Plan was estimated on the date of grant using the Black-Scholes-Merton option-pricing model using the assumptions set forth in the table below. Expected volatility is based on a hybrid method of implied volatility for the expected term of the options from our stock price and a group of peer companies developed with the assistance of an independent valuation firm.

The expected term of the options is calculated using the simplified method described in the SEC's Staff Accounting Bulletins No. 107 and No. 110. We use the simplified method because our stock does not have sufficient trading history and we do not have sufficient stock option exercise data since our company was formed in January 2007.

The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

For stock options awarded under our 2007 Stock Equity Plan, we recognized $2.5 million, $1.3 million and $1.4 million of compensation expense during fiscal 2010, 2009 and 2008.

A summary of the significant weighted average assumptions we used in calculating the fair value of our stock option grants during fiscal 2010, 2009 and 2008 is as follows:

Grant Date	2010	2009	2008
Expected dividends	0.0%	0.0%	0.0%
Expected volatility	61.1%	54.2%	55.6%
Risk-free interest rate	2.35%	2.36%	3.14%
Expected term (years)	4.410	4.375	4.375
Stock price on date of grant	$ 6.26	$ 5.68	$ 13.68
Number of stock options granted	1,681,959	1,043,405	20,050
Fair value per option on date of grant	$ 3.16	$ 2.60	$ 6.55

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A summary of the status of stock options under our 2007 Stock Equity Plan as of July 2, 2010 and changes during fiscal 2010, are as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
		($)	($)	(Years)	($ in millions)
Stock options outstanding as of July 3, 2009	1,103,177	7.94	10.81		
Stock options forfeited	(216,857)	6.33	3.09		
Stock options expired	(16,154)	15.75	8.76		
Stock options granted	1,681,959	6.26	3.16		
Stock options exercised	(17,399)	5.97	2.70		
Stock options outstanding as of July 2, 2010	2,534,726	6.92	7.11	6.0	—
Stock options exercisable as of July 2, 2010	763,144	8.68	4.46	5.2	—
Stock options vested and expected to vest as of July 2, 2010(1)	2,308,714	6.92	7.11	6.0	—

(1) The options expected to vest are the result of applying the pre-vesting forfeiture rate assumptions to total outstanding options.

The aggregate intrinsic value represents the total pre-tax intrinsic value or the aggregate difference between the closing price of our common stock on July 2, 2010 of $3.50 and the exercise price for in-the-money options that would have been received by the optionees if all options had been exercised on July 2, 2010. The intrinsic value of options exercised during fiscal 2010 was less than $0.1 million for the 17,399 shares exercised.

A summary of the status of our nonvested stock options as of July 2, 2010 granted under our 2007 Stock Equity Plan and changes during fiscal 2010, are as follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested stock options as of July 3, 2009	970,332	$3.02
Stock options granted	1,681,959	$3.16
Stock options forfeited	(216,857)	$3.09
Stock options expired	(16,154)	$8.76
Stock options vested	(629,883)	$3.06
Nonvested stock options as of July 2, 2010	1,789,397	$3.08

As of July 2, 2010, there was $3.5 million of total unrecognized compensation expense related to nonvested stock options granted under our 2007 Stock Equity Plan. This cost is expected to be recognized over a weighted-average period of 1.3 years. The total fair value of stock options that vested during fiscal 2010, 2009 and 2008 was $1.9 million, $0.5 million and $1.7 million.

Restricted Stock Awards Under our 2007 Stock Equity Plan

The following information relates to awards of restricted stock that were granted to employees and outside directors under our 2007 Stock Equity Plan. The restricted stock is not transferable until vested and the restrictions lapse upon the achievement of continued employment or service over a specified time period. Restricted stock issued to employees generally vests one-third annually over a three year period from date of grant or cliff vests three years after grant date. Restricted stock is issued to directors annually and generally vests ratably on a quarterly basis through the annual service period. We recognized $1.0 million, $1.0 million and $1.3 million of compensation expense during fiscal 2010, 2009 and 2008. The fair value of each restricted stock grant is based on the closing price of our Common Stock on the date of grant and is amortized to compensation expense over its vesting period.

A summary of the status of our restricted stock as of July 2, 2010 and changes during fiscal 2010, are as follows:

	Shares	Weighted Average Grant Date Fair Value
Restricted stock outstanding as of July 3, 2009	176,975	$11.53
Restricted stock granted	420,158	$ 6.09
Restricted stock vested and released	(109,598)	$14.92
Restricted stock forfeited	(95,166)	$ 6.56
Restricted stock outstanding as of July 2, 2010	392,369	$ 5.96

As of July 2, 2010, there was $1.6 million of total unrecognized compensation expense related to restricted stock awards under our 2007 Stock Equity Plan. This expense is expected to be recognized over a weighted-average period of 1.3 years. The total fair value of restricted stock that vested during fiscal 2010, 2009 and 2008 was $1.6 million, $0.4 million and $0.6 million.

Performance Share Awards

The following information relates to awards of performance shares that have been granted to employees under our 2007 Stock Equity Plan.

During fiscal 2010, we determined that the three-year performance period minimum threshold targets would not be achieved for performance share awards made under our fiscal year 2009 Long-Term Incentive Plan. Accordingly, we estimate that 100% of these awards will not vest and will be forfeited as of July 1, 2011. As a result, we recorded a credit to compensation expense of $0.6 million during fiscal 2010 related to these awards.

Vesting of performance share awards under our fiscal 2007 Long-Term Incentive Plan was subject to performance criteria including meeting net income and cash flow targets for the 30-month plan period ended July 3, 2009 and continued employment at the end of that period. During fiscal 2009, we determined that these net income and cash flow targets would not be achieved for performance share awards made under our fiscal year 2007 Long-Term Incentive Plan. Accordingly, these awards did not vest and were forfeited as of July 3, 2009. Accordingly, for these awards, we recorded a credit to compensation expense of $1.6 million during fiscal 2009.

The final determination of the number of performance shares vesting in respect of an award will be determined by our Board of Directors, or a committee of our Board.

During fiscal 2010, 2009 and 2008, we recorded compensation expense (credit) of $(0.3) million, $(0.9) million and $1.2 million for all performance share awards.

A summary of the status of our performance shares as of July 2, 2010, and changes during fiscal 2010, are as follows:

	Shares	Weighted Average Grant Date Fair Value
Performance shares outstanding as of July 3, 2009	492,509	$5.60
Performance shares granted	401,606	$6.05
Performance shares vested and released	—	
Performance shares forfeited due to target thresholds not achieved	—	
Performance shares forfeited due to terminations	(247,332)	$5.98
Performance shares outstanding as of July 2, 2010	646,783	$5.73

As of July 2, 2010, there was $1.8 million of total unrecognized compensation expense related to performance share awards. This expense is expected to be recognized over a weighted-average period of 1.4 years. The total fair value of performance share awards that vested during fiscal 2008 was $0.2 million, with none in fiscal 2010 and 2009.

Stock Options Assumed in the Stratex Acquisition

As part of the acquisition of Stratex in fiscal 2007, we assumed all of their outstanding stock options. A summary of stock option activity during fiscal 2010 for stock options assumed in the Stratex acquisition is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
			(Years)	
Stock options outstanding as of July 3, 2009	1,693,820	$25.52		
Stock options forfeited	(26)	$17.96		
Stock options expired	(542,826)	$41.20		
Stock options exercised	(217)	$ 1.01		
Stock options outstanding as of July 2, 2010	1,150,751	$18.12	1.9	$—
Stock options exercisable as of July 2, 2010	1,148,877	$18.12	1.9	$—
Stock options vested and expected to vest as of July 2, 2010(1)	1,150,751	$18.12	1.9	$—

(1) The options expected to vest are the result of applying the pre-vesting forfeiture rate assumptions to total outstanding options.

The aggregate intrinsic value represents the total pre-tax intrinsic value or the aggregate difference between the closing price of our Common Stock on July 2, 2010 of $3.50 and the exercise price for in-the-money options that would have been received by the optionees if all options had been exercised on July 2, 2010.

The total intrinsic value of options exercised during fiscal 2008 was $0.8 million at the time of exercise (zero in fiscal 2010 and 2009).

A summary of the status of our nonvested stock options assumed in the Stratex acquisition as of July 2, 2010 and changes during fiscal 2010, are as follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested stock options as of July 3, 2009	8,454	$ 9.07
Stock options forfeited	(26)	$17.96
Stock options vested	(6,554)	$ 9.02
Nonvested stock options as of July 2, 2010	1,874	$ 9.11

As of July 2, 2010, there was less than $0.1 million of total unrecognized compensation cost related to the assumed former Stratex options. This cost is expected to be recognized over a weighted-average period of 0.2 years. The total fair value of stock options assumed in the Stratex acquisition that vested during fiscal 2010, 2009 and 2008 was $0.1 million, $1.3 million and $1.5 million.

Summary of All Stock Options

The following summarizes all of our stock options outstanding as of July 2, 2010:

Actual Range of Exercise Prices	Options Outstanding: Number Outstanding	Options Outstanding: Weighted Average Remaining Contractual Life (Years)	Options Outstanding: Weighted Average Exercise Price	Options Exercisable: Number Exercisable	Options Exercisable: Weighted Average Exercise Price
$3.01 — $9.96	2,483,500	6.0	$ 6.10	713,256	$ 5.93
$10.40 — $17.96	802,985	1.8	$16.78	799,773	$16.78
$18.04 — $27.76	383,555	2.7	$22.81	383,555	$22.81
$28.12 — $86.75	15,437	0.3	$68.26	15,437	$68.26
$3.01 — $86.75	3,685,477	4.7	$10.42	1,912,021	$14.36

Note N — Business Segments

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

	2010	2009	2008
		(In millions)	
Revenue			
North America	$175.1	$232.0	$242.5
International	303.8	447.9	475.9
Total Revenue	$478.9	$679.9	$718.4

	2010	2009	2008
		(In millions)	
Loss Before Income Taxes			
Segment Operating (Loss) Income:			
North America(1)	$ (64.2)	$ (63.4)	$ (8.0)
International(2)	(69.1)	(271.9)	(5.7)
Other income	1.2	—	—
Net interest expense	(1.9)	(1.9)	(0.2)
Loss before income taxes	$(134.0)	$(337.2)	$(13.9)

(1) The following tables summarize certain charges, expenses and gains included in the North America segment operating results during fiscal 2010, 2009 and 2008:

	2010	2009	2008
		(In millions)	
Goodwill impairment charges	$ —	$31.8	$ —
Intangible assets impairment charges	5.1	10.7	—
Property, plant and equipment impairment charges	7.0	3.2	—
Other impairment charges and rebranding expenses	4.0	—	—
Charges for product transition and inventory mark-downs	16.9	25.3	12.9
Restructuring charges	5.6	5.1	9.0
Amortization of purchased technology, trade names, customer relationships and non-compete agreements	11.7	3.0	2.7
Executive severance	2.4	—	—
Amortization of the fair value adjustments related to fixed assets	0.5	0.6	1.1
Cost of integration activities undertaken in connection with the merger	—	—	3.2
Gain on sale of building and Telsima acquisition purchase price settlement	(1.0)	—	—
Share-based compensation expense	2.9	1.8	7.4
	$55.1	$81.5	$36.3

(2) The following tables summarize certain charges and expenses included in the International segment operating results during fiscal 2010, 2009 and 2008:

	2010	2009	2008
		(In millions)	
Goodwill impairment charges	$ —	$247.2	$ —
Intangible assets impairment charges	58.1	21.9	—
Property, plant and equipment impairment charges	1.7	—	—
Other impairment charges and rebranding expenses	2.0	—	—
Amortization of purchased technology, trade names, customer relationships and non-compete agreements	2.2	10.2	11.9
Charges for product transition and inventory mark-downs	—	4.5	1.8
Restructuring charges	1.5	3.1	0.3
Acquired in-process research and development	—	2.4	—
Amortization of the fair value adjustments related to fixed assets	0.1	1.1	1.7
Cost of integration activities undertaken in connection with the merger	—	—	7.9
Gain on Telsima acquisition purchase price settlement	(1.2)	—	—
Share-based compensation expense	0.3	1.1	0.4
	$64.7	$291.5	$24.0

We report revenue by country based on the location where our customers accept delivery of our products and services. Revenue by country comprising more than 5% of our sales to unaffiliated customers for fiscal 2010, 2009 and 2008 are as follows:

	2010	% of Total	2009	% of Total	2008	% of Total
	(In millions)					
United States	$157.4	32.8%	$208.6	30.7%	$192.3	26.8%
Nigeria	84.2	17.6%	145.9	21.5%	137.6	19.2%
Saudi Arabia	33.0	6.9%	4.8	0.7%	0.7	0.1%
Poland	15.1	3.2%	36.5	5.4%	29.6	4.1%
Other	189.6	39.5%	284.1	41.7%	358.2	49.8%
Total	$479.3	100.0%	$679.9	100.0%	$718.4	100.0%

Long-lived assets consisted primarily of identifiable intangible assets, goodwill and property, plant and equipment. Long-lived assets by location as of July 2, 2010 and July 3, 2009 are as follows:

	July 2, 2010	July 3, 2009
	(In millions)	
United States	$33.2	$ 60.4
Singapore	20.7	71.0
United Kingdom	4.9	22.8
Other countries	15.7	9.9
Total	$74.5	$164.1

Note O — Income Taxes

Loss before provision for (benefit from) income taxes during fiscal 2010, 2009 and 2008 is as follows:

	2010	2009	2008
	(In millions)		
United States	$ (97.6)	$(188.0)	$(69.9)
Foreign	(36.4)	(149.2)	56.0
Total	$(134.0)	$(337.2)	$(13.9)

Provision (benefit) for income taxes for fiscal 2010, 2009 and 2008 are summarized as follows:

	2010	2009	2008
	(In millions)		
Current provision:			
United States	$(4.4)	$ —	$ —
Foreign	4.8	1.7	5.5
State and local	—	0.1	—
Total current provision	0.4	1.8	5.5
Deferred provision (benefit):			
United States	—	22.1	(16.5)
Foreign	(4.2)	(9.0)	10.8
State and local	—	2.9	(1.8)
Total deferred provision (benefit)	(4.2)	16.0	(7.5)
	$(3.8)	$17.8	$ (2.0)

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The following table summarizes the significant differences between the U.S. Federal statutory tax rate and our effective tax rate for fiscal 2010, 2009 and 2008:

	2010	2009	2008
		(In millions)	
Statutory U.S. Federal tax rate	(35.0)%	(35.0)%	(35.0)%
Valuation allowances	10.8	15.1	113.2
State and local taxes, net of U.S. Federal tax benefit	(0.9)	(0.8)	(12.9)
Goodwill impairment not deductible	—	16.3	—
Foreign income taxed at rates less than the U.S. statutory rate	6.4	7.4	(85.5)
Dividend from foreign subsidiary	13.1	—	—
Other	2.8	2.3	5.8
Effective tax rate	(2.8)%	5.3%	(14.4)%

The components of deferred tax assets and liabilities are as follows:

	July 2, 2010		July 3, 2009	
	Current	Non-Current	Current	Non-Current
		(In millions)		
Deferred tax assets:				
Inventory	$ 21.5	$ —	$ 18.0	$ —
Accruals	1.4	—	3.1	—
Unrealized impairment loss	—	—	—	1.2
Other reserves and accruals	1.3	—	0.2	0.8
Bad debts	3.1	—	6.1	—
Warranty reserve	1.2	—	2.4	—
Depreciation	—	5.3	—	4.8
Amortization	—	11.6	—	17.2
Other foreign	—	1.3	6.0	—
Stock options	—	4.5	—	3.3
Severance and restructuring costs	2.5	—	2.3	—
Deferred revenue	—	1.3	—	3.4
Unrealized exchange gain/loss	3.6	—	1.4	—
Other	—	4.7	—	1.2
Capital loss carryforward	—	—	—	5.8
Tax credit carryforwards	—	24.5	—	28.0
Tax loss carryforwards	—	108.1	—	90.2
Total deferred tax assets	34.6	161.3	39.5	155.9
Valuation allowance	(34.6)	(148.8)	(39.5)	(129.4)
Net deferred tax assets	—	12.5	—	26.5
Deferred tax liabilities:				
Purchased identifiable intangible assets	—	—	—	19.4
Total deferred tax liabilities	—	—	—	19.4
Net deferred tax asset (liability)	$ —	$ 12.5	$ —	$ 7.1

Our consolidated balance sheet as of July 2, 2010 includes a non-current deferred income tax asset of $13.1 million and a non-current deferred tax liability of $0.6 million. This compares to a non-current deferred tax asset of $8.0 million, and a non-current deferred tax liability of $0.9 million as of July 3, 2009. For all jurisdictions

for which we have deferred tax assets, we expect that our existing levels of pre-tax earnings are sufficient to generate the amount of future taxable income needed to realize these tax assets. Our valuation allowance related to deferred income taxes, as reflected in our consolidated balance sheet, was $183.4 million as of July 2, 2010 and $168.9 million as of July 3, 2009. The increase in valuation allowance in fiscal 2010 compared with fiscal 2009 was primarily due to our establishing additional valuation allowance on certain deferred tax assets generated in the current year. If we continue to operate at a loss in certain jurisdictions or are unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, we could be required to increase the valuation allowance against all or a significant portion of our deferred tax assets resulting in a substantial increase in our effective tax rate and a material adverse impact on our operating results.

United States income taxes have not been provided on basis differences in foreign subsidiaries of $18.2 million and $11.7 million as of July 2, 2010 and July 3, 2009, because of our intention to reinvest these earnings indefinitely. The determination of unrecognized deferred U.S. tax liability for foreign subsidiaries is not practicable. Tax loss and credit carryforwards as of July 2, 2010 have expiration dates ranging between one year and no expiration in certain instances. The amount of U.S. tax loss carryforwards as of July 2, 2010 and July 3, 2009 was $224.7 million and $201.2 million and begin to expire in fiscal 2022.

Credit carryforwards as of July 2, 2010 and July 3, 2009 was $24.5 million and $27.9 million and certain credits begin to expire in fiscal 2011. The amount of foreign tax loss carryforwards for July 2, 2010 and July 3, 2009 was $100.1 million and $50.5 million. The utilization of a portion of the U.S. net operating losses created prior to the merger is subject to an annual limitation under Section 382 of the Internal Revenue Code as a result of a change of ownership. Income tax refunds received, net of income taxes paid, were $3.6 million during fiscal 2010. Income taxes paid were $2.6 million and $2.2 million during fiscal 2009 and 2008.

On November 6, 2009, the President signed into law the Worker, Homeownership, and Business Assistance Act of 2009 (the "Act"). The Act amended Section 172 of the Internal Revenue Code to allow net operating losses realized in either tax year 2008 or 2009 to be carried back up to five years (previously limited to a two year carryback). The Company received a refund from the U.S. Internal Revenue Service in the amount of $4.4 million during fiscal 2010.

The effective tax rate in the fiscal year ended July 2, 2010 was impacted unfavorably by a valuation allowance recorded on certain deferred tax assets where it was determined it was not more likely than not that the assets would be realized. The net change in the valuation allowance impacting the effective tax rate during the year ended July 2, 2010 was an increase of $14.5 million.

The effective tax rate in the fiscal year ended July 3, 2009 was impacted unfavorably by a valuation allowance recorded on certain deferred tax assets, certain purchase accounting adjustments and foreign tax credits where it was determined it was not more likely than not that the assets would be realized. The net change in the valuation allowance impacting the effective tax rate during the year ended July 3, 2009 was an increase of $50.8 million.

During the year ended July 2, 2010 all tax benefits recognized that were associated with Stratex acquired deferred tax assets were accounted for through the income statement. During the year ended July 3, 2009, certain temporary taxable differences in the amount of $7.2 million were realized. This realization resulted in a reduction of the valuation allowance placed on Stratex acquired deferred tax assets. The reduction of this valuation allowance was recorded against the goodwill and non-current intangible assets acquired in the Stratex acquisition. The reduction of the acquired intangible assets was required after the impairment reduced our goodwill from the Stratex acquisition to zero. The portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be accounted for through the income statement is $56.1 million.

For the year ended June 27, 2008, certain temporary taxable differences in the amount of $30.7 million were realized. This realization resulted in a reduction of the valuation allowance placed on Stratex acquired deferred tax assets. The reduction of this valuation allowance was recorded against the goodwill related to the Stratex acquisition. The portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be allocated to reduce goodwill was $63.3 million as of June 27, 2008.

We established our International Headquarters in Singapore and received a favorable tax ruling resulting from an application filed by us with the Singapore Economic Development Board ("EDB") effective January 26, 2007. This favorable tax ruling calls for a 10% effective tax rate to be applied over a five year period provided certain milestones and objectives are met. We are confident that we will meet the expectations of the EDB and retain this favorable ruling.

We entered into a tax sharing agreement with Harris Corporation effective on January 26, 2007, the date of the merger. The tax sharing agreement addresses, among other things, the settlement process associated with pre-merger tax liabilities and tax attributes that are attributable to the MCD business when it was a division of Harris Corporation. There were no settlement payments recorded in fiscal 2010, 2009 or 2008.

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain.

As of July 2, 2010 and July 3, 2009, we had a liability for unrecognized tax benefits of $14.9 million and $30.9 million for various federal, foreign, and state income tax matters. Unrecognized tax benefits decreased by $16.0 million. 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 did not accrue an additional amount for such interest as of July 2, 2010 and July 3, 2009. No penalties have been accrued.

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

Our unrecognized tax benefit activity for fiscal 2010 and 2009 is as follows (in millions):

Unrecognized tax benefit as of June 27, 2008	$ 29.6
Additions for tax positions in prior periods	1.5
Decreases for tax positions in prior periods	(0.2)
Unrecognized tax benefit as of July 3, 2009	30.9
Additions for tax positions in prior periods	1.3
Decreases for tax positions in prior periods	(17.3)
Unrecognized tax benefit as of July 2, 2010	$ 14.9

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 July 2, 2010, we are under audit by the U.S. Internal Revenue Service for the June 27, 2008 tax year.

Note P — Operating Lease Commitments

We lease sales and administrative facilities under non-cancelable operating leases. These leases have initial lease terms that extend through fiscal year 2020.

Rental expense for operating leases, including rentals on a month-to-month basis was $12.7 million, $11.9 million and $13.6 million in fiscal 2010, 2009 and 2008.

As of July 2, 2010, our future minimum commitments for all non-cancelable operating leases with an initial lease term in excess of one year are as follows:

	Fiscal Years Ending in June
	(In millions)
2011	$10.5
2012	6.3
2013	4.0
2014	3.4
2015	2.6
Thereafter	13.2
Total	$40.0

These commitments do not contain any material rent escalations, rent holidays, contingent rent, rent concessions, leasehold improvement incentives or unusual provisions or conditions. We do not consider any of these individual leases material to our operations.

Note Q — 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 nor 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 July 2, 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 July 2, 2010 was $41.9 million, of which $10.2 million were designated as cash flow hedges and $31.7 million were not designated as cash flow hedging instruments.

As of July 2, 2010, we had 41 foreign currency forward contracts outstanding with a total net notional amount of $14.1 million consisting of 13 different currencies, primarily the Canadian dollar, Euro, Philippine peso, Polish zloty, Singapore dollar and Republic of South Africa rand.

Following is a summary by currency of the contract net notional amounts grouped by the underlying foreign currency as of July 2, 2010:

	Contract Amount (Local Currency)		Contract Amount (USD)
	(In millions)		
Canadian dollar ("CAD") net contracts to receive (pay) USD	(CAD)	3.4	$ 3.2
Euro ("EUR") net contracts to receive (pay) USD	(EUR)	(2.9)	$ (3.5)
Philippine peso ("PHP") net contracts to receive (pay) USD	(PHP)	(136.3)	$ (3.0)
Polish zloty ("PLN") net contracts to receive (pay) USD	(PLN)	28.6	$ 8.6
Singapore dollar ("SGD") net contracts to receive (pay) USD	(SGD)	2.9	$ 2.1
Republic of South Africa rand ("ZAR") net contracts to receive (pay) USD	(ZAR)	31.2	$ 4.1
All other currencies net contracts to receive (pay) USD			$ 2.6
Total of all currencies			$14.1

As of July 3, 2009, we had 40 foreign currency forward contracts outstanding with a total net notional amount of $29.2 million consisting of 14 different currencies, primarily the Australian dollar, Canadian dollar, Euro and Polish zloty. Following is a summary by currency of the contract net notional amounts grouped by the underlying foreign currency as of July 3, 2009:

	Contract Amount (Local Currency)		Contract Amount (USD)
	(In millions)		
Australian dollar ("AUD") net contracts to receive (pay) USD	(AUD)	10.8	$ 8.6
Canadian dollar ("CAD") net contracts to receive (pay) USD	(CAD)	(5.7)	$ (5.0)
Euro ("EUR") net contracts to receive (pay) USD	(EUR)	10.4	$14.6
Polish zloty ("PLN") net contracts to receive (pay) USD	(PLN)	31.2	$ 9.6
All other currencies net contracts to receive (pay) USD			$ 1.4
Total of all currencies			$29.2

The following table presents the fair value of derivative instruments included within our Consolidated Balance Sheet as of July 2, 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	$0.1
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts	Other current assets	—	Other current liabilities	—
Total derivatives		$0.1		$0.1

The following table presents the fair value of derivative instruments included within our Consolidated Balance Sheet as of July 3, 2009:

	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	$0.2	Other current liabilities	$ —
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts	Other current assets	$0.9	Other current liabilities	$0.9
Total derivatives		$1.1		$0.9

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 fiscal 2010 and 2009 (in millions):

Locations of Gains (Losses) Recorded From Derivatives Designated as Cash Flow Hedges	2010	2009
	(In millions)	
Amount of gain (loss) of effective hedges recognized in Other Comprehensive Income	$ 0.6	$2.6
Amount of gain (loss) of effective hedges reclassified from Other Comprehensive Income into:		
Revenue	$(0.2)	$2.6
Cost of Products Sold	$ 0.2	$ —
Amount recorded into Cost of Products Sold associated with excluded time value	$ 0.2	$ —
Amount recorded into Cost of Products Sold due to hedge ineffectiveness	$ 0.1	$ —

Refer to Note D — Fair Value Measurements of Assets and Liabilities for a description of how the above financial instruments are valued and Note L — Accumulated Other Comprehensive (Loss) Income for additional information on changes in other comprehensive loss during fiscal 2010 and 2009.

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 July 2, 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 July 2, 2010, there was $0.3 million of deferred net gains 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 net income or loss are dependent on the exchange rates in effect when derivative contracts that are currently outstanding mature. As of July 2, 2010, the maximum term over which we are hedging cash flow exposures is six 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

As mentioned above, the total notional amount of outstanding derivatives as of July 2, 2010 not designated as cash flow hedging instruments was $31.7 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 fiscal 2010, we recorded in cost of products sold the following amount of net losses recorded on non-designated hedges as follows, in millions:

	2010	2009	Location of Gain (Loss) Recognized in Income on Derivatives
Derivatives not designated as hedging instruments:			
Gains (losses) on foreign exchange forward contracts	$(0.4)	$5.4	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 R — 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.

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Note S — Quarterly Financial Data (Unaudited)

The following financial information reflects all normal recurring adjustments, which are, in the opinion of management, necessary for a fair statement of the results of the interim periods. Our fiscal quarters end on the Friday nearest the end of the calendar quarter. Summarized quarterly data for fiscal 2010 and 2009 are as follows:

	1st Quarter 10-02-2009	2nd Quarter 01-01-2010	3rd Quarter 04-02-2010	4th Quarter 07-02-2010
	(In millions, except share amounts)			
Fiscal 2010				
Revenue	$120.0	$122.6	$120.0	$116.3
Gross margin	$ 37.7	$ 42.3	$ 18.2	$ 35.2
Loss from operations	$ (6.4)	$ (6.2)	$ (29.0)	$ (91.7)
Net loss	$ (7.8)	$ (7.9)	$ (25.7)	$ (88.8)
Per share data(1):				
Basic and diluted net loss per share of Common Stock(2)	$ (0.13)	$ (0.13)	$ (0.43)	$ (1.49)
Market price range of one share of Common Stock:				
High	$ 7.79	$ 7.49	$ 8.25	$ 7.42
Low	$ 5.65	$ 5.81	$ 5.85	$ 3.46

	1st Quarter 09-26-2008	2nd Quarter 01-02-2009	3rd Quarter 04-03-2009	4th Quarter 07-03-2009
	(In millions, except share amounts)			
Fiscal 2009				
Revenue	$195.8	$ 190.9	$158.0	$135.2
Gross margin	$ 59.1	$ 51.1	$ 16.5	$ 47.7
Income (loss) from operations	$ 7.7	$(294.8)	$ (35.2)	$ (13.0)
Net income (loss)	$ 6.5	$(318.7)	$ (39.4)	$ (3.4)
Per share data(1):				
Basic net income (loss) per share of Class A and Class B Common Stock	$ 0.11	$ (5.43)	$ (0.67)	$ (0.06)
Diluted net income (loss) per share of Class A and Class B Common Stock	$ 0.10	$ (5.43)	$ (0.67)	$ (0.06)
Market price range of one share of Class A Common Stock:				
High	$11.45	$ 7.85	$ 7.24	$ 6.75
Low	$ 6.85	$ 3.26	$ 3.00	$ 3.91

(1) In fiscal 2009, we had Class A and Class B shares of common stock outstanding. The net loss per common share amounts were the same for Class A and Class B because the holders of each class were legally entitled to equal per share distributions whether through dividends or in liquidation. Subsequent to May 27, 2009, Class B Common Stock converted automatically into shares of Class A Common Stock. There were no shares of Class B common stock outstanding during fiscal 2010. Effective November 19, 2009, under a change to our certificate of incorporation approved by shareholders, all shares of our Class A common stock were reclassified on a one-to-one basis to shares of Common Stock without a class designation; we no longer have Class A or Class B common stock authorized, issued or outstanding.

The following tables summarize certain charges and expenses included in our results of operations for each of the fiscal quarters during the most recent two fiscal years in the period ended July 2, 2010.

	1st Quarter 10-02-2009	2nd Quarter 01-01-2010	3rd Quarter 04-02-2010	4th Quarter 07-02-2010
Intangible assets impairment charges	$ —	$ —	$ —	$63.2
Property, plant and equipment impairment charges	—	—	—	8.7
Other impairment charges and rebranding expenses	—	—	—	3.4
Charges for product transition	—	—	16.9	—
Amortization of purchased technology	2.1	2.1	2.1	1.9
Restructuring charges	1.1	1.5	0.7	3.8
Amortization of trade names and customer relationships	1.5	1.5	1.3	1.3
Executive severance	—	—	0.6	1.8
Amortization of fair value adjustments to fixed assets	0.2	0.2	0.2	—
Costs of rebranding and transition from Harris	0.1	1.5	0.8	0.3
Gain on sale of building and Telsima acquisition purchase price settlement	—	—	—	(2.2)
Share-based compensation expense	1.1	0.5	0.3	1.3
	$6.1	$7.3	$22.9	$83.5

	1st Quarter 09-26-2008	2nd Quarter 01-02-2009	3rd Quarter 04-03-2009	4th Quarter 07-03-2009
Goodwill impairment charges	$ —	$279.0	$ —	$ —
Impairment charges for the trade name "Stratex"	—	22.0	—	10.6
Charges for product transition and product discontinuances	—	—	29.8	—
Charge to increase deferred tax valuation allowance	—	20.8	—	—
Restructuring charges	3.3	1.1	0.5	3.3
Amortization of purchased technology	1.8	1.8	1.8	2.1
Amortization of trade names and customer relationships	1.4	1.4	1.4	1.5
Software impairment charges	—	—	2.9	0.3
Acquired in-process research and development	—	—	2.4	—
Amortization of fair value adjustments to fixed assets	0.6	0.6	0.3	0.2
Share-based compensation expense	1.1	0.4	0.5	0.9
	$8.2	$327.1	$39.6	$18.9

We have not paid cash dividends on our Common Stock and do not intend to pay cash dividends in the foreseeable future.

Note T — Preferred Share Purchase Rights

On April 20, 2009, our board of directors adopted a rights plan. The terms of the rights and the rights plan are set forth in a Rights Agreement dated as of April 20, 2009 (the "Rights Plan"). The Rights Plan was intended to act as a deterrent to any person or group acquiring 15% or more of our outstanding common stock without the approval of our board of directors. The Rights Plan expired by its own terms on January 20, 2010.

Note U — Subsequent Event

On September 7, 2010, we sold our NetBoss assets consisting of intellectual property and certain equipment to a third party named NetBoss Technologies, Inc. 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 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***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 July 2, 2010.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, management has assessed the effectiveness of the Company's internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on our assessment, management has concluded that our internal control over financial reporting was effective as of July 2, 2010.

Ernst & Young LLP, the independent registered public accounting firm that audited the financial statements included in this report has issued an attestation report on our internal control over financial reporting which appears in Item 8. Financial Statements and Supplementary Data in this Annual Report on Form 10-K.

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.

Item 9B. ***Other Information***

None.

PART III

Certain information required by Part III is omitted from this Annual Report on Form 10-K because we will file a Definitive Proxy Statement with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended July 2, 2010.

Item 10. *Directors, Executive Officers and Corporate Governance*

We adopted a Code of Business Ethics, that is available at www.aviatnetworks.com. No amendments to our Code of Business Ethics, or waivers from our Code of Business Ethics with respect to any of our executive officers or directors have been made. If, in the future, we amend our Code of Business Ethics or grant waivers from our code of Business Ethics with respect to any of our executive officers or directors, we will make information regarding such amendments or waivers available on our corporate website (www.aviatnetworks.com) for a period of at least 12 months.

Information regarding our directors and compliance with Section 16(a) of the Securities and Exchange Act of 1934, as amended, by our directors and executive officers will appear in our definitive Proxy Statement for our 2010 Annual Meeting of Shareholders to be held on or about November 9, 2010 and is incorporated herein by reference.

Item 11. *Executive Compensation*

Information regarding our executive compensation will appear in our definitive Proxy Statement for our 2010 Annual Meeting of Shareholders to be held on or about November 9, 2010 and is incorporated herein by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Equity Compensation Plan Summary

The following table provides information as of July 2, 2010, relating to our equity compensation plan pursuant to which grants of options, restricted stock and performance shares may be granted from time to time and the option plans and agreements assumed by us in connection with the Stratex acquisition:

Plan Category	Number of Securities to be Issued Upon Exercise of Options and Vesting of Restricted Stock and Performance Shares	Weighted-Average Exercise Price of Outstanding Options(1)	Number of Securities Remaining Available for Further Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity Compensation plan approved by security holders(2)	3,573,878	$ 6.92	6,593,588
Equity Compensation plans not approved by security holders(3)	1,150,751	$18.12	—
Total	4,724,629	$ 9.65	6,593,588

(1) Excludes weighted average fair value of restricted stock and performance shares at issuance date.

(2) Consists solely of our 2007 Stock Equity Plan, as amended and restated effective November 19, 2009.

(3) Consists of common stock that may be issued pursuant to option plans and agreements assumed pursuant to the Stratex acquisition. The Stratex plans were duly approved by the shareholders of Stratex prior to the merger with us. No shares are available for further issuance.

(4) For further information on our equity compensation plans see "Note B — Significant Accounting Policies and New Accounting Pronouncements" and "Note M — Share-Based Compensation" in the Notes to Consolidated Financial Statements included in Item 8.

The other information required by this item will appear in our definitive Proxy Statement for our 2010 Annual Meeting of Shareholders to be held on or about November 9, 2010 and is incorporated herein by reference.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

Information regarding certain relationships and related transactions, and director independence will appear under "Transactions with Related Persons" and "Corporate Governance" in our definitive Proxy Statement for our 2010 Annual Meeting of Shareholders to be held on or about November 9, 2010 and is incorporated herein by reference.

Item 14. *Principal Accountant Fees and Services*

Information regarding our principal accountant fees and services will appear in our definitive Proxy Statement for our 2010 Annual Meeting of Shareholders to be held on or about November 9, 2010 and is incorporated herein by reference.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(a) The following documents are filed as part of this report.

1. Financial Statements.

The financial statements of Aviat Networks, Inc. are set forth in Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedules.

Schedule II — Valuation and Qualifying Accounts for the three fiscal years ended July 2, 2010

All other schedules have been omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedules or because the information required is included in the Consolidated Financial Statements or Notes thereto.

2(b). Exhibits.

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

Ex. #	Description
2.1	Amended and Restated Formation, Contribution and Merger Agreement, dated as of December 18, 2006, among Harris Corporation, Stratex Networks, Inc., Harris Stratex Networks, Inc. and Stratex Merger Corp. (incorporated by reference to Appendix A to the proxy statement/prospectus forming a part of the Registration Statement on Form S-4 of Harris Stratex Networks, Inc. filed with the Securities and Exchange Commission on January 3, 2007, File No. 333-137980)
2.2	Letter Agreement, dated as of January 26, 2007, among Harris Corporation, Stratex Networks, Inc., Harris Stratex Networks, Inc. and Stratex Merger Corp. (incorporated by reference to Exhibit 2.1.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
2.3	Agreement and Plan of Merger by and among Harris Stratex Networks Operating Corporation, Eagle Networks Merger Corporation, Telsima Corporation and the Holder Representative dated as of February 27, 2009 (incorporated by reference to Exhibit 2.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on March 6, 2009, File No. 001-33278)
3.1	Amended and Restated Certificate of Incorporation of Harris Stratex Networks, Inc. as filed with the Secretary of State of the State of Delaware on November 19, 2009 (incorporated by reference to Exhibit 3.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on November 20, 2009, File No. 001-33278)
3.2	Amended and Restated Bylaws of Harris Stratex Networks, Inc. (incorporated by reference to Exhibit 3.2 to the Report on Form 8-K filed with the Securities and Exchange Commission on November 20, 2009, File No. 001-33278)

Ex. #	Description
3.3	Certificate of Ownership and Merger Merging Aviat Networks, Inc. into Harris Stratex Networks, Inc., effective January 27, 2010, as filed with the Secretary of State of the State of Delaware on January 27, 2010 (incorporated by reference to Exhibit 3.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 2010, File No. 001-33278)
4.1	Intentionally omitted.
4.1.1	Specimen common stock certificate, adopted as of January 29, 2010
4.2	Intentionally omitted.
4.3	Intentionally omitted.
10.1	Intentionally omitted.
10.2	Non-Competition Agreement among Harris Stratex Networks, Inc., Harris Corporation and Stratex Networks, Inc. dated January 26, 2007 (incorporated by reference to Exhibit 10.2 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.3	Intellectual Property Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.4 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.4	Trademark and Trade Name License Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.5 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.5	Intentionally omitted.
10.6	Transition Services Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.7 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.6.1	Amendment to Transition Services Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated December 12, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended January 2, 2009 filed with the Securities and Exchange Commission on February 10, 2009, File No. 001-33278)
10.7	Intentionally omitted.
10.8	NetBoss Service Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.9 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.9	Intentionally omitted.
10.10	Tax Sharing Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.11 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.11	Intentionally omitted.
10.12*	Employment Agreement, effective as of April 8, 2008, between Harris Stratex Networks, Inc. and Harald J. Braun (incorporated by reference to Exhibit 10.15.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 28, 2008 filed with the Securities and Exchange Commission on May 6, 2008, File No. 001-33278)
10.13*	Restated Employment Agreement, dated as of May 14, 2002, by and between Stratex Networks, Inc. and Charles D. Kissner (incorporated by reference to Exhibit 10.7 to the Annual Report on Form 10-K of Stratex Networks, Inc. for the Fiscal Year Ended March 31, 2003 filed with the Securities and Exchange Commission on May 19, 2003, File No. 000-15895)
10.13.1*	Third Amendment to Employment Agreement, dated as of December 15, 2006, by and between Stratex Networks, Inc. and Charles D. Kissner (incorporated by reference to Exhibit 10.29 to Amendment No. 2 to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on December 19, 2006, File No. 333-137980)
10.14*	Standard Form of Executive Employment Agreement between Harris Stratex Networks, Inc. and certain executives (incorporated by reference to Exhibit 10.16 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)

Ex. #	Description
10.15	Form of Indemnification Agreement between Harris Stratex Networks, Inc. and its directors and certain officers (incorporated by reference to Exhibit 10.16 to the Registration Statement on Form S-1 of Stratex Networks, Inc., File No. 33-13431)
10.16	Sublicense Agreement, effective as of January 26, 2007, between Harris Stratex Networks, Inc. and Harris Stratex Networks Operating Corporation (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2007 filed with the Securities and Exchange Commission on August 27, 2007, File No. 001-33278)
10.17*	Harris Stratex Networks, Inc. Annual Incentive Plan (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2008 filed with the Securities and Exchange Commission on September 25, 2008, File No. 001-33278)
10.18*	Harris Stratex Networks, Inc. 2007 Stock Equity Plan (incorporated by reference to Exhibit 4.9 to the Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 5, 2007, File No. 333-140442)
10.18.1	Harris Stratex Networks, Inc. 2007 Stock Equity Plan (As Amended and Restated Effective November 19, 2009) (incorporated by reference to Appendix B to the Registrant's Schedule 14A filed with the Securities and Exchange Commission on October 7, 2009, File No. 001-33278)
10.19	Credit Agreement between Harris Stratex Networks, Inc., Harris Stratex Networks Operating Corporation, Harris Stratex Networks(S) Pte. Ltd., Bank of America, N.A., Silicon Valley Bank, Banc of America Securities Asia Limited and Banc of America Securities LLC, dated June 30, 2008 (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2008 filed with the Securities and Exchange Commission on September 25, 2008, File No. 001-33278)
10.19.1	Amendment No. 1 to Credit Agreement between Aviat Networks, Inc., Aviat U.S., Inc., Aviat Networks(S) Pte. Ltd., Bank of America, N.A., Bank of America, N.A. Hong Kong Branch, and Silicon Valley Bank, dated August 23, 2010
10.20	Amended and Restated Loan and Security Agreement between Stratex Networks, Inc. and Silicon Valley Bank, dated January 21, 2004 (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of Stratex Networks, Inc. on January 22, 2004, File No. 000-15895)
10.20.1	Amendment No. 5 to Amended and Restated Loan and Security Agreement between Harris Stratex Networks Operating Corporation, a wholly owned subsidiary of Harris Stratex Networks, Inc. and the successor to Stratex Networks, Inc. and Silicon Valley Bank, dated February 23, 2007 (incorporated herein by reference to Exhibit 10.28.5 to the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2007 filed with the Securities and Exchange Commission on August 27, 2007, File No. 001-33278)
10.21	Intentionally omitted.
10.22*	Employment Agreement, effective as of May 4, 2009, between Harris Stratex Networks, Inc. and Thomas L. Cronan III (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on May 5, 2009, File No. 001-33278)
10.23*	Employment Agreement, dated as of April 1, 2006, between Harris Stratex Networks, Inc. and Heinz Stumpe (incorporation by reference to Exhibit 10.15.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2007 filed with the Securities and Exchange Commission on May 8, 2007, File No. 001-33278)
10.24*	Employment Agreement, dated as of May 14, 2002, between Stratex Networks, Inc. and Paul Kennard (incorporated by reference to Exhibit 10.1 to the Stratex Networks, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006 filed with the Securities and Exchange Commission on August 9, 2006, File No. 000-15895)
10.24.1*	Amendment A, effective as of April 1, 2006, to Employment Agreement, dated May 14, 2002, between Stratex Networks, Inc. and Paul Kennard (incorporated by reference to Exhibit 10.2 to the Stratex Networks, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006 filed with the Securities and Exchange Commission on August 9, 2006, File No. 000-15895)

Ex. #	Description
10.24.2*	Amendment B, effective as of April 1, 2006, to Employment Agreement, dated May 14, 2002, between Stratex Networks, Inc. and Paul Kennard (incorporated by reference to Exhibit 10.3 to the Stratex Networks, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006 filed with the Securities and Exchange Commission on August 9, 2006, File No. 000-15895)
10.25*	Employment Agreement, dated as of May 14, 2002, between Stratex Networks, Inc. and Shaun McFall (incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended July 3, 2009 filed with the Securities and Exchange Commission on September 4, 2009, File No. 001-33278)
10.25.1*	Amendment, effective April 1, 2006, to Employment Agreement, dated May 14, 2002, between Stratex Networks, Inc. and Shaun McFall (incorporated by reference to Exhibit 10.25.1 to the Company's Annual Report on Form 10-K for the fiscal year ended July 3, 2009 filed with the Securities and Exchange Commission on September 4, 2009, File No. 001-33278)
10.26	Employment Agreement, dated June 28, 2010, between Aviat Networks, Inc. and Charles D. Kissner (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on July 1, 2010, File No. 001-33278)
21	List of Subsidiaries of Aviat Networks, Inc.
23	Consent of Independent Registered Public Accounting Firm
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.
32.2	Section 1350 Certification of Chief Financial Officer.

* Management compensatory contract, arrangement or plan required to be filed as an exhibit pursuant to Item 15(b) of this report.

SIGNATURES

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)

By: /s/ Charles D. Kissner

Charles D. Kissner
Chief Executive Officer and Chairman of the Board

Date: September 9, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Charles D. Kissner Charles D. Kissner	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	September 9, 2010
/s/ Thomas L. Cronan III Thomas L. Cronan III	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	September 9, 2010
/s/ J. Russell Mincey J. Russell Mincey	Vice President, Corporate Controller and Principal Accounting Officer (Principal Accounting Officer)	September 9, 2010
/s/ Eric C. Evans Eric C. Evans	Director	September 9, 2010
/s/ William A. Hasler William A. Hasler	Director	September 9, 2010
/s/ Clifford H. Higgerson Clifford H. Higgerson	Director	September 9, 2010
/s/ Dr. Mohsen Sohi Dr. Mohsen Sohi	Director	September 9, 2010
/s/ James C. Stoffel James C. Stoffel	Lead Independent Director	September 9, 2010
/s/ Edward F. Thompson Edward F. Thompson	Director	September 9, 2010

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
AVIAT NETWORKS, INC.

Years Ended July 2, 2010, July 3, 2009 and June 27, 2008

		Additions			
	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts Describe	(Additions) Deductions Describe	Balance at End of Period
	($)	($)	($) (In millions)	($)	($)
Allowances for collection losses:					
Year ended July 2, 2010	27.0	2.6	—	16.3(A)	13.3
Year ended July 3, 2009	12.6	9.9	—	(4.5)(B)	27.0
Year ended June 27, 2008	8.5	3.7	—	(0.4)(C)	12.6
Deferred tax asset valuation allowance(D):					
Year ended July 2, 2010	168.9	14.5	—	—	183.4
Year ended July 3, 2009	116.9	50.8	1.2(E)	—	168.9
Year ended June 27, 2008	96.9	15.6	4.4(E)	—	116.9

Note A Consists of changes to allowance for collection losses of $16.3 million for uncollectible accounts charged off, net of recoveries on accounts previously charged off.

Note B Consists of changes to allowance for collection losses of $0.1 million for foreign currency translation losses, $6.4 million in additions from the acquisition of Telsima and $1.8 million for uncollectible accounts charged off, net of recoveries on accounts previously charged off.

Note C Consists of additions to allowance for collection losses of $0.5 million for foreign currency translation gains and $0.1 million for uncollectible accounts charged off, net of recoveries on accounts previously charged off.

Note D Additions to deferred tax valuation allowance are recorded as expense.

Note E Deferred tax asset recorded as an adjustment to goodwill and identified intangible assets under purchase accounting and reclass of Harris Corporation Intercompany deferred tax assets.

Appendix

Stockholder Information

Corporate Headquarters
Aviat Networks, Inc.
5200 Great America Parkway
Santa Clara, CA 95054
(408) 567-7000

Independent Public Accountants
Ernst & Young LLP
Raleigh, NC

Transfer Agent and Registrar
Sandra L. Moore
Vice President, Business Owner
BNY Mellon Shareowner Services
480 Washington Blvd, 29th Floor
Jersey City, NJ 07310
Tel: (201) 680-3627
Fax: (201) 680-4606
Email: sandra.moore@bnymellon.com

Investor Relations Contact
Candace Lattyak
Tel: (408) 567-7121
Candace.lattyak@aviatnet.com

Stockholder Inquiries
Questions relating to stockholder records, change of ownership or change of address should be sent to our transfer agent, BNY Mellon Shareowner Services, whose address appears above.

Financial Information
Securities analysts, investment managers and stockholders should direct financial information inquiries to the Investor Relations contact listed above.

SEC Form 10-K
A copy of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission is available without charge by writing to:

Aviat Networks, Inc.
Attn: Investor Relations
5200 Great America Parkway
Santa Clara, California 95054

2010 Annual Report
We have published this 2010 Annual Report to Stockholders, including the Consolidated Financial Statements and Management's Discussion and Analysis, as an appendix to our Proxy Statement. Further information regarding various aspects of our business can be found on our Web site (www.aviatnetworks.com).

Electronic Delivery
In an effort to reduce paper mailed to your home, we offer stockholders the convenience of viewing the Proxy Statement, Annual Report to Stockholders and related materials online. With your consent, we can stop sending future paper copies of these documents to you by mail. To participate, follow the instructions at *www.icsdelivery.com*.

Online Voting at *http://proxy.georgeson.com*
If you are a registered stockholder, you may now use the Internet to transmit your voting instructions anytime before 5:00 p.m. EST on November 8, 2010. Have your proxy card in hand when you access the Web site. You will be prompted to enter your Control Number to obtain your records and create an electronic voting instruction form.

www.aviatnetworks.com
The Aviat Networks Web site provides access to a wide variety of information, including products, news releases and financial information. A principal feature of the Web site is the Investor Relations section, which contains general financial information and access to the current Proxy Statement and Annual Report to Stockholders. The site also provides archived information (for example, historical financial releases and stock prices) and access to conference calls and analyst group presentations. Other interesting features are the press release alerts and SEC filings email alerts, which allow users to receive automatic updates informing them when new items such as news releases, financial event announcements and SEC documents are added to the site.

www.melloninvestor.com
The Mellon Investor Services Web site provides access to an Internet self-service product, Investor Service DirectSM ("ISD"). Through ISD, registered stockholders can view their account profiles, stock certificate histories, Form 1099 tax information, current stock price quote (20-minute delay) and historical stock prices. Stockholders may also request the issuance of stock certificates, duplicate Form 1099s, safekeeping of stock certificates or an address change.

Corporate Directory

Officers
Charles D. Kissner
Chairman of the Board and Chief Executive Officer

Thomas L. Cronan III
Sr. Vice President and Chief Financial Officer

Paul A. Kennard
Sr. Vice President and Chief Technology Officer

Shaun McFall
Sr. Vice President and Chief Marketing Officer

Michael Pangia
Sr. Vice President and Chief Sales Officer

Heinz H. Stumpe
Sr. Vice President and Chief Operating Officer

Marilyn ("Mimi") Gigoux
Sr. Vice President and Chief Human Resources Officer

Meena L. Elliott
Vice President, General Counsel and Secretary

J. Russell Mincey
Vice President, Corporate Controller and
Principal Accounting Officer

Carol A. Goudey
Corporate Treasurer and Assistant Secretary

Directors
Charles D. Kissner
Chairman, Chief Executive Officer
Aviat Networks, Inc.
Director
ShoreTel, Inc.

Eric C. Evans
Senior Advisor, D&M Holdings, Inc.
Chairman of the Board, Chief Executive
Officer, Representative Executive
Director (Former)
D&M Holdings, Inc.

William A. Hasler
Director
Ditech Networks, Inc.
Globalstar, Inc.
Mission West Properties, Inc.

Clifford H. Higgerson
Partner
Walden International

Dr. Mohsen Sohi
Managing Partner
Freudenberg & Co.
Director
Steris Corporation

Dr. James C. Stoffel
Lead Independent Director
Aviat Networks, Inc.
Director
Harris Corporation

Edward F. Thompson
Director
InnoPath Software, Inc.
ShoreTel, Inc.

Outside Legal Counsel
Bingham McCutchen LLP
East Palo Alto, CA

Headquarters and Operations

Corporate Headquarters
Aviat Networks, Inc.
5200 Great America Parkway
Santa Clara, CA 95054
United States

International Headquarters, Singapore
Aviat Networks (S) Pte. Ltd.
17, Changi Business Park Central 1
Honeywell Building, #04-01
Singapore 486073

Offices

North America
Alpharetta, GA
Montréal, Canada
Morrisville, NC
San Antonio, TX

Europe
Aix En Provence, France
Bucharest, Romania
Cascais, Portugal
Châtenay-Malabry, France
Dublin, Ireland
Glasgow, Scotland
Hilversum, The Netherlands
Madrid, Spain
Moscow, Russia
Nuneaton, United Kingdom
Trzin-Ljubljana, Slovenia
Warsaw, Poland

Mexico
Mexico D.F.

Africa
Abidjan, Côte d'Ivoire
Accra, Ghana
Alger, Algeria
Lagos, Nigéria
Midrand, South Africa
Nairobi, Kenya

Middle East
Dubai, United Arab Emirates
Riyadh, Saudi Arabia

Asia & Pacific Rim
Bangkok, Thailand
Colombo, Sri Lanka
Dhaka, Bangladesh
Gurgaon, India
Jakarta, Indonesia
Manila, Philippines
Kuala Lumpur, Malaysia
Shenzhen, China
Singapore
Sydney, Australia
Wellington, New Zealand

South America
Buenos Aires, Argentina

Forward-looking Statements
This Annual Report, including the letter to shareholders, contains forward-looking statements that are based on the views of management regarding future events at the time of publication of this report. These forward-looking statements, which include, but are not limited to: our plans, strategies and objectives for future operations; new products, services or developments; future economic conditions; outlook; impact on operating results due to the volume, timing, customer, product and geographic mix of our product orders; our growth potential and the potential of industries and the markets we serve, are subject to the known and unknown risks, uncertainties and other factors that may cause our actual results to be materially different from those expressed or implied by each forward-looking statement. These risks, uncertainties and other factors are discussed in the 2010 Form 10-K.

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