2007

proxy statement & annual report

Letter to Stockholders

October 4, 2007

To My Fellow Stockholders,

The year 2007 saw the creation of a new and dynamic global player in wireless transmission network solutions. On January 26, 2007 Harris Stratex Networks was formed when Stratex Networks, Inc. combined with the Microwave Communications Division of Harris Corporation.

Our New Company

Going in, the combination had the potential to provide greater economies of scale, increased leverage in our chosen markets, the dovetailing of two outstanding product portfolios and the establishment of a truly global footprint. I am happy to report that we are now beginning to operate as an integrated, highly competitive company with significantly greater scale, industry-leading technology innovation and growing market traction.

Our new scale means increased revenue opportunities in every region and market segment, with stronger customer relationships and broader distribution channels. We are poised to have a larger presence in expanding geographic regions, such as Africa, the Middle East, Asia and Russia, and in high-growth technology areas, such as high-capacity backhaul and the global transition to Internet Protocol, or IP-based, communications. Greater scale allows us to capture cost synergies due to increased volume leverage, more streamlined supply-chain processes and increased use of outsourced contract manufacturing in low-cost locations.

Our ability to offer the best combination of technology innovation, product breadth and turnkey services to a growing market positions us well for future growth and strong financial performance.

Our Fiscal Year Financial Results

Revenue for fiscal 2007 was $507.9 million. GAAP net loss was $17.9 million or $0.72 per share, which includes $53.7 million of charges on an after-tax basis, related primarily to combination, integration and stock compensation expense. Non-GAAP* revenue for fiscal 2007 was $653.7 million, compared with $599.9 million in fiscal year 2006, an increase of 9 percent. Non-GAAP net income for fiscal 2007 was $35.8 million. This compares with non-GAAP net income of $24.1 million in fiscal 2006.

We are on target to realize combination-related cost synergies, having already captured $3 million in cost savings between the date of the combination and our fiscal year end in June. We have a solid plan to deliver $35 million in cost savings during fiscal 2008.

We had $90 million of cash and short-term investments as of June 29, 2007 and available credit of an additional $24 million. We continue to focus on key balance sheet metrics during this time of transition, most importantly our cash available for the continued expansion of our business.

Our Focal Points

This is a good time to be in the wireless transmission market. While the market is competitive, there are new technology applications and a number of geographic regions which continue to drive healthy market growth.

Mobile communications. The mobile segment continues to provide the greatest opportunity for Harris Stratex Networks. Growth remains strong in emerging markets focused on building new greenfield networks to provide basic service. At the same time, existing network operators need new levels of capacity and efficiency in

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* *The non-GAAP results assume that the combination of Stratex Networks and Harris MCD occurred at the beginning of 2006 and provide year-over-year comparisons of the combined company's financial performance. Amounts used in this Letter to Stockholders that are considered non-GAAP financial measures are defined and reconciled to the most directly comparable GAAP financial measures on page 4. GAAP refers to accounting principles generally accepted in the U.S.*

backhaul as 3G advanced services stretch existing network capacity to its limits. These market trends play to our strengths.

IP transition. Operators around the world are using IP technology to converge voice and data networks to provide more advanced, revenue-producing services at lower cost of ownership. Our product portfolio delivers software-scalable capacity migration, broad frequency coverage, native support and network management for both traditional voice and IP traffic.

North America. The FCC auction of the 1.7 to 2.1 GHz Advanced Wireless Services (AWS) spectrum resulted in 1087 licenses granted to 104 bidders. This initiative will generate new business from incumbent spectrum licensees, who will re-tool and provision more bandwidth in the backhaul network. Other growth drivers in North America include leased-line substitution, increased bandwidth demand, and footprint expansion. We continue to experience demand from private network operators and state and local governments for network hardening and interoperability in public safety, emergency response and homeland security projects.

International. Developed regions such as Western Europe offer significant opportunities in leased-line replacement and high-capacity backhaul as operators upgrade networks to the latest technology. We have also participated in the build out of a number of WiMAX networks across Europe. Developing regions such as Africa, where we are a leader, offer ongoing opportunities in new greenfield networks designed to build or expand national communications infrastructure.

As a fast-growing market for wireless backhaul, Asia is another high-growth opportunity. We have raised our profile, sharpened our focus and expanded our opportunities in the Asia-Pacific region by opening our new international headquarters in Singapore. In Latin America, we opened a new regional headquarters in Mexico City to better serve our customers and improve business efficiency.

Network operations. We serve this growing segment with our NetBoss® solutions, providing service assurance, network management, operational support and monitoring services for any type of communications or information network. Network Operations is a proven differentiator, adding value to our offerings, especially for large network opportunities.

Our Business Strengths

High-growth market focus. Our strength begins with our focus on the fastest-growing, highest-value markets around the world. We target high-capacity backhaul, nodal networking applications and IP transport as new growth areas, in addition to the markets we have traditionally served well, such as cellular backhaul, network interconnection and public safety.

Broad product portfolio. The breadth and freshness of our product portfolio drives our ability to address new high-growth markets. With all of our major product lines less than three years old — and constantly refreshed with new features — our portfolio is uniquely suited to network operators offering advanced, high-bandwidth services such as *triple play* voice/data/video service. Our three major brands are TRuepoint®, Eclipse™ and NetBoss®, all field-tested and well accepted in the market, offering wireless backhaul, last-mile access, long-haul trunking, carrier-grade Ethernet transmission and end-to-end network management.

Constant innovation. We are committed to ongoing innovation across our product lines. Fiscal 2008 will see the introduction of our newest product in the wireless long-haul transport market — TRuepoint 6000. This product will deliver the most innovative and fully featured technology available for high-capacity wireless trunking applications, while delivering the reliability and scalability customers expect.

Comprehensive services suite. While our innovation sets us apart, our engineering expertise and professional services suite creates an unbeatable combination for every phase of network implementation and long-term support. With five decades of wireless transmission experience, we are a highly trusted vendor when it comes to performance and reliability.

Complete turnkey solutions. We derive great pride in our status as the vendor of choice for complete turnkey solutions for some of the largest network operators in the world — many of them repeat customers.

Our Growth Strategy

More than 60 percent of our business comes from outside North America, and we project the majority of our future growth to come from targeted high-growth international markets. We believe our Singapore international headquarters will enable us to better serve our international customers, improve our logistics and supply chain functions, and extend our research and development capability. We also believe this strategic growth initiative will improve our financial performance and customer service in the growing Asia Pacific market.

We are taking an aggressive, strategic approach to expanding into new markets and leveraging our large geographic footprint and strong relationships with customers who are themselves expanding. Our objective is to generate new business with current customers — leveraging expanded product and services offerings — and to uncover new opportunities in growing markets.

Harris Stratex Networks is committed to innovation through continued engineering research and development to extend our technology leadership. A focus on new product introductions and existing product freshness is exemplified by the launch of many enhancements to Eclipse and TRuepoint. We plan to further strengthen our product road map with R&D programs to provide new comprehensive solutions for our constantly developing market.

Our Outlook

Our current assessment of the macro environment for microwave transmission in our key markets is for demand to remain relatively strong. While we continue to operate in a highly competitive environment, we are well-positioned for fiscal 2008 and beyond as the wireless transmission company providing the best combination of technology innovation, product breadth and turnkey services. We look forward to maximizing the potential of our new company for our customers, our partners and, ultimately, our stockholders.

I have confidence in the expertise, dedication and innovative talent of our employees around the world, who contribute to our success. I would like to thank them for their hard work and commitment as we realize the full potential of Harris Stratex Networks.

Guy M Campbell

Guy Campbell
President and Chief Executive Officer

Safe Harbor Statement

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 2007 Form 10-K.

FY'07 YEAR END SUMMARY

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES AND REGULATION G DISCLOSURE

To supplement our consolidated financial statements presented in accordance with accounting principles generally accepted in the United States (GAAP), we provide additional measures of revenue, gross margin, operating income (loss), non-operating income (loss); cost of product sales and services; research and development expenses, selling and administrative expenses; income before income taxes; income taxes; net income, and net income per diluted share adjusted to exclude certain costs, expenses, gains and losses. Management of Harris Stratex Networks, Inc. (the "Company" or "Harris Stratex") believes that these non-GAAP financial measures provide information that is useful to investors in understanding period-over-period operating results separate and apart from items that may, or could, have a disproportionate positive or negative impact on results in any particular period. Management also believes that these non-GAAP measures enhance the ability of an investor to analyze trends in Harris Stratex' business and to better understand our performance. In addition, the Company may utilize non-GAAP financial measures as a guide in its budgeting and long-term planning process and to measure operating performance for some management compensation purposes. Any analysis of non-GAAP financial measures should be used only in conjunction with results presented in accordance with GAAP. A reconciliation of these non-GAAP financial measures with the most directly comparable financial measures calculated in accordance with GAAP follows:

FY'07 YEAR END SUMMARY

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Condensed Consolidated Statement of Operations (Unaudited)

	Year Ended June 29, 2007			Year Ended June 30, 2006		
	As Reported	Non-GAAP Adjustments	Non-GAAP	MCD and Stratex Combined as Reported	Non-GAAP Adjustments	Non-GAAP
Revenue from product sales and services(A)	$ 507.9	$145.8	$ 653.7	$ 599.9	$ —	$ 599.9
Cost of product sales and services(B)	(352.2)	(91.2)	(443.4)	(444.0)	35.4	(408.6)
Amortization of purchased technology(C)	(3.0)	3.0	—	—	—	—
Gross margin	152.7	57.6	210.3	155.9	35.4	191.3
Research and development expenses(D)	(39.4)	2.0	(37.4)	(43.3)	0.7	(42.6)
Selling and administrative expenses(E)	(98.9)	(22.0)	(120.9)	(117.2)	5.9	(111.3)
Acquired in-process research and development(F)	(15.3)	15.3	—	—	—	—
Amortization of intangible assets(G)	(7.5)	7.5	—	—	—	—
Restructuring charges(H)	(9.3)	8.6	(0.7)	(3.8)	3.8	—
Corporate allocations expense(I)	(3.7)	3.4	(0.3)	(12.4)	12.4	—
Operating (loss) income	(21.4)	72.4	51.0	(20.8)	58.2	37.4
Interest income	1.8	1.8	3.6	2.0	—	2.0
Interest expense	(2.3)	(1.4)	(3.7)	(3.1)	—	(3.1)
Other expense, net	—	(0.9)	(0.9)	(1.9)	—	(1.9)
(Loss) income before income taxes	(21.9)	71.9	50.0	(23.8)	58.2	34.4
Income taxes(J)	4.0	(18.2)	(14.2)	(8.3)	(2.0)	(10.3)
Net (loss) income	$ (17.9)	$ 53.7	$ 35.8	(32.1)	$56.2	$ 24.1
Net (loss) income per common share:						
Basic and diluted	$ (0.72)		$ 0.62	*		*
Basic and diluted weighted average shares outstanding:						
Basic and diluted(K)	24.7		57.9	*		*

* *Prior to January 26, 2007, the Company was not a public reporting entity and there were no shares outstanding for purposes of earnings (loss) per share calculations.*

Note A — *Revenue.* Adjustment to revenue for the fiscal year ended June 29, 2007 of $145.8 million to add Stratex Networks, Inc. revenue for the pre-combination period.

Note B — *Cost of sales and services.* Adjustments to cost of product sales and services for the fiscal year ended June 29, 2007 to add $100.3 million to add Stratex Networks cost of product sales and services for the pre-combination period, and to remove combination-related charges including amortization of the step-up in inventory and fixed assets ($8.3 million for fiscal year 2007) and write-off of deferred costs ($0.1 million for the fiscal year ended June 29, 2007). Adjustments to cost of product sales and services to remove SFAS 123R expense ($0.7 million for fiscal year ended June 29, 2007). Adjustments to the Microwave Communications Division of Harris Corporation's cost of product sales and services for the year ended June 30, 2006 to remove $34.9 million for inventory write-downs related to product discontinuances. Adjustment to Stratex Networks, Inc. cost of product sales and services to remove $0.5 million for fiscal year 2006 of APB No. 25 stock-based compensation expense prior to the adoption of SFAS 123R.

Note C — *Amortization of purchased technology.* Adjustment for the fiscal year ended June 29, 2007 to remove amortization of purchased intangibles incurred in connection with the combination.

Note D — *Research and development expenses.* Adjustment for the fiscal year ended June 29, 2007 to remove SFAS 123R expenses of $2.0 million. Upon the adoption of SFAS 123R by Stratex Networks in the June 2006 quarter, adjustment for the fiscal year ended June 30, 2006 to remove SFAS 123R expenses of $0.7 million.

Note E — *Selling and administrative expenses.* Adjustment to selling and administrative expenses for the year ended June 29, 2007 of $41.5 million to add Stratex Networks selling and administrative expenses for the pre-combination period. Adjustments for the year ended June 29, 2007 to remove combination-related charges including amortization of the step-up fixed assets ($0.8 million for the year ended June 29, 2007), integration and severance costs ($11.8 million for the year ended June 29, 2007), and SFAS 123R expense ($6.9 million for the year ended June 29, 2007).

Adjustments to the Microwave Communications Division of Harris Corporation's selling and administrative expenses to remove SFAS 123R expense ($1.9 million for the year ended June 30, 2006), and to remove severance costs associated with product discontinuance in the Microwave Communications Division ($0.9 million for the fiscal year ended June 30, 2006). Adjustment to Stratex Networks, Inc. selling and administrative expenses for the year ended June 30, 2006 to remove $1.1 million of APB No. 25 stock compensations expense prior to the adoption of SFAS 123R.

Note F — *Acquired in-process research and development.* Adjustment for the fiscal ended June 29, 2007 to remove write off of in-process research and development incurred in connection with the combination.

Note G — *Amortization of intangible assets.* Adjustment for the fiscal year ended June 29, 2007 to remove amortization of purchased intangibles incurred in connection with the combination.

Note H — *Charges for restructuring.* Adjustment to remove charges for restructuring incurred during the fiscal years ended June 29, 2007 and June 30, 2006.

Note I — *Corporate allocation expense*s. Adjustment for the fiscal year ended June 29, 2007 and for the fiscal year ended June 30, 2006 to remove Corporate allocation expenses from Harris Corporation through December 31, 2006, which did not continue after the merger.

Note J — *Income taxes.* Adjustment to reflect a pro forma 26 percent tax rate for the second half of fiscal 2007 which for the fiscal year 2007 makes for an effective tax rate of 28.5 percent and 30 percent tax rate for the fiscal year ended June 30, 2006.

Note K — *Basic and diluted weighted shares outstanding.* The non-GAAP basic and diluted weighted average shares outstanding are computed as if the shares issued in the combination were outstanding for the entire fiscal year ended June, 2007.

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HARRIS STRATEX NETWORKS, INC.

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Notice of 2007 Annual Meeting of Stockholders
To be held on November 14, 2007

TO THE HOLDERS OF COMMON STOCK OF HARRIS STRATEX NETWORKS, INC.

NOTICE IS HEREBY GIVEN that the 2007 Annual Meeting of Stockholders of Harris Stratex Networks, Inc. will be held in our San Jose office, located at 120 Rose Orchard Way, San Jose, California, on Wednesday, November 14, 2007 at 12:30 p.m., local time, for the following purposes:

1. Election of four Class A directors and five Class B directors to serve until the next annual meeting of stockholders or until their successors have been duly elected and qualified.

2. Ratification of the selection by our Audit Committee of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2008.

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 21, 2007 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 provide a proxy to vote your shares by submitting your proxy via the Internet, by phone, or by signing, dating and returning the proxy card at your earliest convenience. This will help ensure the presence of a quorum at the meeting. If you wish to submit your proxy by mail, an addressed envelope for which no postage is required if mailed in the United States is enclosed.

By Order of the Board of Directors

/s/ Juan Otero

Juan Otero
General Counsel and Secretary

October 4, 2007

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HARRIS STRATEX NETWORKS, INC.

PROXY STATEMENT
FOR THE ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON NOVEMBER 14, 2007

We are furnishing this proxy statement ("Proxy Statement") to you in connection with the solicitation of proxies by the Board of Directors ("Board") of Harris Stratex Networks, Inc. (which we refer to as the "Company," "we," "our," and "ours") for use at the 2007 Annual Meeting of Stockholders, to be held at 12:30 p.m., local time, on November 14, 2007, and any adjournment or postponement thereof. The annual meeting will be held in San Jose, California, located at 120 Rose Orchard Way, San Jose, CA. The telephone number at that location is 408-943-0777. These proxy materials are being mailed on or about October 19, 2007 to our stockholders entitled to notice of and vote at the annual meeting.

All materials filed by the Company with the Securities and Exchange Commission, or SEC, can be obtained at the Commission's Public Reference Room at 100 F Street, N.E, Washington D.C. 20549, or through the Commission's website at www.sec.gov. You may obtain information on the operation of the Public Reference Room by calling 800-SEC-0330.

ABOUT THE MEETING

What is the purpose of the meeting?

The purpose of the 2007 Annual Meeting of Stockholders is to obtain stockholder action on the matters outlined in the notice of meeting included with this Proxy Statement. Our Class A common stockholders and our sole Class B common stockholder, Harris Corporation, or Harris, will vote together to elect four Class A directors, and Harris will vote as the sole Class B common stockholder, to elect five Class B directors. In addition, our Class A and Class B common stockholders, voting together, will be asked to ratify the appointment by our Audit Committee of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2008. In addition, management will report on its 2007 performance and respond to stockholders' questions.

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 21, 2007. 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 Class A and Class B 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 on the record date.

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

Each outstanding share of our Class A and Class B common stock is entitled to one vote on each matter considered at the annual meeting. In addition, Harris Corporation is entitled to one vote per share for the election of five Class B directors. As of the record date of September 21, 2007, the number of outstanding shares of Class A common stock was 25,478,101 and the number of outstanding shares of Class B common stock was 32,913,377. Because Harris owned a majority of the combined Class A and Class B common stock on the record date, it will have a majority of the votes in the election of Class A directors. Harris has agreed to vote its shares of Class B common stock in favor of nominees of our Nominating Committee, which includes no Harris representatives, for election as Class A directors. Accordingly, these nominees will be elected at the meeting irrespective of the voting of our Class A common shares.

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 need to 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 your shares are held in street name through a broker, bank or other nominee, that institution 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 new rules recently adopted by the SEC, we have elected to provide 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 to receive 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 to receive 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 are available at www.proxydocs.com/hstx.

What is a proxy?

A proxy is a person you appoint to vote on your behalf. We are soliciting your vote so all shares of our Class A common stock may be voted at the annual meeting. The proxy holders for the annual meeting are our General Counsel and Secretary, Juan Otero and Associate General Counsel and Assistant Secretary, Meena Elliott.

How do I revoke my proxy?

If the shares of Class A 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, Juan Otero, at 120 Rose Orchard Way, San Jose, CA 95134;
- executing and delivering a proxy 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 your broker regarding how to revoke your proxy. Your attendance at the annual meeting after having executed and delivered a valid proxy card will not in and of itself constitute a revocation of your proxy.

What vote is required to approve each item?

The director nominees will be reelected 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 of 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. Harris has advised us that it intends to vote all of its shares of Class B common stock in favor of the re-election of the director nominees and the ratification of the selection of our independent registered public accounting firm.

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. Harris, which holds approximately 56 percent of our outstanding common stock, has advised us that it intends to be present at the meeting thus guaranteeing the presence of a quorum.

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. 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. Routine matters include both proposals at the annual meeting, the election of Class A Directors and the ratification of the selection of our independent public accounting firm. With respect to ratification of Proposal No. 1, which requires a plurality vote, broker "non-votes" will have no effect. With respect to ratification of 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 the same effect as a negative vote.

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.

What is the deadline for submitting proposals and director nominations for the 2008 Annual Meeting?

Stockholder Proposals. In order for stockholder proposals to be considered properly brought before our 2008 annual meeting, the stockholder's written notice thereof must be received by our General Counsel and Secretary, Juan Otero, at the address of our principal executive offices, not less than 60 days or 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 General Counsel and 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 are

in Article II, Section 13 of our Bylaws, which is available for review at our website, www.harrisstratex.com. In addition, if a stockholder wishes the proposal to be considered for inclusion in our proxy materials for the 2008 annual meeting under SEC Rule 14a-8, written notice thereof must be received by our General Counsel and Secretary at the address noted above by May 19, 2008.

Nomination of Director Candidates. In order for a stockholder to nominate a director for election at our 2008 annual meeting, the stockholder's written notice thereof must be received by our General Counsel and Secretary, Juan Otero, at the address of our principal executive officers, not less than 60 days or 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 General Counsel and 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 are in Article II, Section 14 of our Bylaws, which is available for review at our website, www.harrisstratex.com.

The proxies to be solicited by the Board for the 2008 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?

An automated system administered by Bowne & Co., Inc. will tabulate the votes cast by proxy. A representative of Bowne & Co., Inc. will act as the inspector of elections for the annual meeting and will tabulate the votes cast in person at the annual meeting.

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, Nominating Committee, Audit Committee, Compensation Committee, and Corporate Governance Committee charters and corporate governance guidelines. The committee charters are available at http://www.harrisstratex.com/cg/committee-charters.asp. Each of our Board committees is required to conduct an annual review of its charter and applicable guidelines.

Board Members

The Board is composed of nine members, of whom four are Class A directors and five are Class B directors. All directors except Messrs. Campbell and Lance have held office as directors since January 26, 2007, the date of the contribution by Harris of the Microwave Communications Division of Harris, or MCD, and our merger with Stratex Networks, Inc. or Stratex. Messrs. Campbell and Lance have held office as directors since we were incorporated as a wholly-owned subsidiary of Harris on October 5, 2006. The Board is chaired by Mr. Kissner.

Name	Title and Class of Director
Charles D. Kissner	Class A Director
William A. Hasler	Class A Director
Clifford H. Higgerson	Class A Director
Edward F. Thompson	Class A Director
Guy M. Campbell	Class B Director
Eric C. Evans	Class B Director
Howard L. Lance	Class B Director
Dr. Mohsen Sohi	Class B Director
Dr. James C. Stoffel	Class B Director

As a result of the combination of MCD and Stratex, as described above, Harris owns approximately 56 percent of the outstanding shares of our common stock as of the date of this Proxy Statement. We are a "controlled" entity under the listing requirements of NASDAQ and, as such, exempt from NASDAQ's director independence requirements, with the exception those applicable to the Audit Committee. While we are not required to have independent directors on our Compensation and Nominating committees, the majority of our directors on these

committees are independent. Class A directors are nominated by the Nominating Committee of the Board, which consists solely of Class A directors and are elected by the holders of Class A and Class B common stock voting together as a class. Class B directors are elected by Harris, as the sole stockholder of Class B common stock. The number of Class A and Class B directors is defined in our restated certificate of incorporation, or charter, and our Bylaws.

The Board has determined that as of the date of this Proxy Statement, each of our current directors except Messrs. Kissner, Campbell and Lance has no material relationship with the Company and is independent within the Company's director independence standards and, in the case of the Audit Committee, in accordance with the NASDAQ Global Market listing requirements. All directors are requested to attend the annual meeting of stockholders.

Board and Committee Meetings and Attendance

During fiscal year 2007, the Board held six meetings, five Audit Committee meetings, two Compensation Committee meetings and two Corporate Governance Committee meetings. All of our board members attended at least 75 percent of the total number of Board meetings and the number of meetings of the committee or committees on which the member served during the fiscal year.

Directors' Biographies

Mr. Charles D. Kissner, age 60, currently serves our Chairman of the Board. 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, 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 SonicWALL, Inc., a provider of Internet security solutions, and Shoretel, Inc. an IP business telephony systems company. Mr. Kissner also serves on the Advisory Board of Santa Clara University's Leavey School of Business.

Mr. Guy M. Campbell, age 61, serves as our President and Chief Executive Officer. Mr. Campbell served as President of MCD from August 2003 though January 2007. From 2000 through 2003, Mr. Campbell served as President and Chief Executive Officer of Andrew Corporation, a provider of communications equipment for the global telecommunications infrastructure market. Mr. Campbell has held a variety of marketing, customer engineering, and systems engineering positions with Ericsson, and served as Vice President and General Manager of Ericsson's Business Mobile Networks BV in Amsterdam. In 1994 he was named Vice President, Wireless Enterprise Networks, where he was responsible for building Ericsson's in-building wireless business unit in the United States.

Mr. Eric C. Evans, age 54, currently serves as Chairman of the Board of Directors, co-Chief Executive Officer, and Representative Executive Director of D&M Holdings Inc., a leading provider of premium consumer audio electronics. D&M is publicly traded on the Tokyo Stock Exchange. He is also an industrial partner in the private equity firm of Ripplewood Holdings LLC. Prior to joining Ripplewood in November 2005, Mr. Evans was President and Chief Operating Officer of Diebold, Inc., a $2.6 billion global technology product and services company from 2003 to 2005. Prior to 2003, Mr. Evans was a group vice president in the climate technologies area of Emerson Electric Company, an industrial technology and engineering leader. At Emerson beginning in 1987, Mr. Evans served in a variety of senior executive roles for Emerson's Copeland Division including President of International, Senior Vice President, and Chief Financial Officer.

Mr. William A. Hasler, age 65, has served as Chairman of the Board of Directors of Solectron Corporation since 2003 and has been a member of that board since 1998. He 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. 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 Communications Corp., a supplier of telecommunications equipment, Genitope Corporation, a biopharmaceutical company, Technical Olympic USA, Inc., a leading homebuilder and financial services company, 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. Clifford H. Higgerson, age 67, served as a member of the board of directors from March 2006 to January 2007 and served on the Compensation and Strategic Business Development Committees. He has more than 35 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 in the 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 BA Systems, Kotura, Hatteras Networks, Xtera Communications, World of Good, and Ygnition.

Mr. Howard L. Lance, age 51, is currently President and Chief Executive Officer of Harris and Chairman of its board of directors. Mr. Lance joined Harris in January 2003 as President and Chief Executive Officer and was appointed Chairman in June 2003. Prior to joining Harris, Mr. Lance was President of NCR Corporation, an information technology services provider, and Chief Operating Officer of its Retail and Financial Group from July 2001 until October 2002. Prior to joining NCR, he spent 17 years with Emerson Electric Company, an electronic products and systems company, where he held increasingly senior management positions with different divisions of the company. In 1999, Mr. Lance was named Executive Vice President with operating responsibility for Emerson's Electronics and Telecommunications businesses. Prior to 1999, Mr. Lance held sales and marketing positions with the Scott-Fetzer Company and Caterpillar, Inc. Mr. Lance is also a director of Eastman Chemical Company and serves on the Board of Trustees of the Aerospace Industries Association, the Manufacturers Alliance/MAPI, Inc., the Florida Council of 100, the United Way of Brevard County and the Florida Institute of Technology.

Dr. James C. Stoffel, age 61**,** currently serves 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 Committees. Prior to his retirement, Dr. Stoffel was Senior Vice President, Chief Technical Officer, and Director of Research and Development of Eastman Kodak Company, a film and digital imaging company. He held this position from 2000 to April 2005. He joined Kodak in 1997 as Vice President, 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 ASTRI, Hong Kong.

Dr. Mohsen Sohi, age 48, has served, since 2003, as President and Chief Executive Officer of Freudenberg-NOK, a privately-held joint venture partnership between Freudenberg & Co. of Germany 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.

Mr. Edward F. Thompson, age 69, 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 since 2002. From 1976 to 1994, he held various positions at Amdahl Corporation, 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, IBM 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, SonicWALL Inc., a provider of Internet security solutions ,and Shoretel, Inc., an

IP business telephony systems company. He is on the Advisory Boards of Diamondhead Ventures, LLP, and Santa Clara University's Leavey School of Business.

Board of Directors Committees

Our Board of Directors maintains an Audit Committee, a Compensation Committee, a Nominating Committee, and a Corporate Governance Committee.

Copies of the charters for the Audit Committee, the Compensation Committee, the Corporate Governance Committee, and the Nominating Committee are available on our website at http://www.harrisstratex.com/cg/committee-charters.asp.

The following table shows the Chairman and present members of each committee, the number of committee meetings held during fiscal year 2007, and the principal functions performed by each member.

Committee	Number of Meetings in Fiscal 2007	Members	Functions
Audit	5	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 adequacy of financial and operating controls • Monitors corporate compliance program
Compensation	2	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	2	William A. Hasler* Charles D. Kissner Howard L. Lance	• Develops and implements policies and practices relating to corporate governance • Reviews and monitors implementation of our policies and procedures • Assists in developing criteria for open positions on the Board of Directors • Makes recommendations to the Board of Directors with respect to committee assignments
Nominating Committee**	0	William A. Hasler* Clifford H. Higgerson Charles D. Kissner Edward F. Thompson	• Reviews and recommends nominees for election of Class A directors to the Board. • Reviews and recommends policies, if needed for selection of candidates for Class A directors

* Chairman of Committee

** This committee held a meeting subsequent to the end of fiscal year 2007 to review and recommend the nomination of Class A directors for re-election.

Audit Committee

The Audit Committee is primarily responsible for approving the services performed by our independent registered public accounting firm and reviewing our accounting practices, our corporate financial reporting and system of internal accounting controls. The Audit Committee currently consists of Messrs. Evans, Hasler, and Thompson (Chairman). In February 2007, the Audit Committee adopted, and the Board approved, a charter for the Audit Committee. No material amendments to the Audit Committee Charter were made during fiscal year 2007. The Audit Committee is comprised of independent, non-employee members of our Board who are "financially sophisticated" under the rules of NASDAQ. The Board of Directors has determined that Mr. Thompson is the "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 him duties, liabilities or obligations that are greater than the duties, liabilities or obligations otherwise imposed on him as a member of our Audit Committee and our board of directors.

Compensation Committee

The Compensation Committee has the authority and responsibility to approve our overall 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. The Compensation Committee also retains an independent compensation consultant who advises on matters of executive compensation. The Compensation Committee has adopted, and the Board of Directors has approved, a Compensation Committee charter.

Compensation Committee Interlock and Insider Participation

The Compensation Committee currently consists of Mr. Clifford H. Higgerson, Dr. Mohsen Sohi, and Dr. James C. Stoffel (Chairman). None of these individuals is an officer or former officer of the Company. None of our executive officers served on the board of directors or compensation committees of Harris or any other entity during the past fiscal year.

Corporate Governance Committee

The Corporate Governance Committee identifies best practices and recommends steps consistent with sound and current corporate governance principles. The Committee consists of Messrs. Hasler (Chairman), Kissner, and Lance. The Committee is comprised of non-employee members of the Board. The Corporate Governance Committee has adopted, and the Board has approved, a Corporate Governance Committee charter.

Nominating Committee

The Nominating Committee assists the Board in selecting nominees for election to the Board as Class A directors and recommends Class A director candidates to the Board. The Nominating Committee currently consists of Messrs. Hasler (Chairman), Higgerson, Kissner and Thompson. As Class A directors, the Nominating Committee will periodically review whether a more formal policy should be adopted. There is no difference in the manner in which the Nominating Committee evaluates nominees for director based on whether the nominee is recommended by a stockholder. The Company currently does not pay a third party to identify or assist in identifying or evaluating potential nominees, although the Company may in the future utilize the services of such third parties. The Nominating Committee has adopted, and the Board has approved, a Nominating Committee charter.

In reviewing potential candidates for the Board, the 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 communication technologies. In general, candidates will be preferred who hold an established executive level position in business, finance, law, education, research, government, or civic activity. In making its selection, the 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 Board intends to continue to evaluate candidates for election to the Board on the basis of the foregoing criteria.

The Nominating Committee has nominated, and the Board approved, Charles D. Kissner, William A. Hasler, Edward F. Thompson, and Clifford H. Higgerson to stand for election as Class A directors at the 2007 annual meeting.

Stockholder Communications with the Board

Stockholders who wish to communicate directly with the independent directors on the Board may do so by sending an e-mail to Juan Otero, the Company's General Counsel and Secretary, at hsx_bod@hstx.com, or may send a letter addressed to: Harris Stratex Networks, Inc. Board, c/o Juan Otero, General Counsel and Secretary, 120 Rose Orchard Way, San Jose, CA 95134. The General Counsel and 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 General Counsel and Secretary may obtain more immediate attention of the appropriate committee or independent director of the Board, independent advisors, or management. The General Counsel and Secretary may decide in his 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, Principal Accounting Officer, and others 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 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 financial controls or the accuracy or completeness of financial or other information related to our financial statements.

Contractual and Other Control Arrangements

In connection with the completion of the merger, we and Harris entered into several agreements, including an investor agreement, which provides Harris with ongoing governance rights. In addition, prior to the closing of the merger and the contribution transaction, we amended and restated our charter and Bylaws, to reflect these governance arrangements.

Election of Class B Directors

Harris and we have agreed that, so long as Harris holds a majority of the total number of votes entitled to be cast generally in an election of directors to the Board (other than directors elected separately as a Class by the holders of Class B common stock), there will be nine directors, of which five will be elected separately by Harris as the only holder of shares of Class B common stock. During this period, the quorum for action by the Board will be a majority, which majority must include at least four of the Class B directors. Harris has agreed that, until the second anniversary of the completion of the proposed transactions, two of the five Class B directors it is entitled to elect must satisfy the following requirements: One must meet the independence requirements for directors serving on an audit committee as prescribed by the Marketplace Rules applicable to companies listed on NASDAQ Stock Market, which rules we refer to in this Proxy Statement as the NASDAQ rules, and one must not be an employee of Harris or any of its subsidiaries (without regard to us or any of our subsidiaries).

The remaining four directors, known as the Class A directors or the non-Harris directors, will be nominated by a nominating committee of the Board of consisting solely of non-Harris directors and will be elected by the holders of Class A and Class B common stock voting together as a class. In addition, under the terms of the investor agreement, Harris has agreed to vote all of its shares in the election of the non-Harris directors for the nominees proposed by nominating committee so long as Harris holds a majority of the total number of votes entitled to be cast generally in an election of the Class A directors.

At any time when Harris holds less than a majority but 10 percent or more of the total number of votes entitled to be cast generally in an election of the directors to the Board (other than directors elected separately by the holders of Class B common stock), Harris will be entitled to elect a number of Class B directors equal to Harris' voting percentage in such election times the number of directors then comprising the Board (rounding down to the next whole number of directors).

Harris has the right to remove any Class B director with or without cause at any time for any reason and will have the right to elect any successor director to the fill vacancies created by such removal. Any vacancy created by the resignation, death, or incapacity of a Class B director will be filled by the other Class B directors then in office and, if none, by Harris. Only the holders of Class A common stock, voting separately as a class, will be permitted to remove the Class A directors without cause or fill vacancies created by such removal, if not filled by the Class A directors then in office. To the extent Harris owns any shares of Class A common stock, it has agreed that it will not vote those shares for the removal of any Class A director without cause and will vote all of its shares of Class A common stock for any individual nominated by the nominating committee to replace any Class A director who has been removed with or without cause.

TRANSACTIONS WITH RELATED PERSONS

It is the policy and practice of our Board to review and assess information concerning transactions involving related persons. Related persons include our majority stockholder, Harris, and 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. 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.

Harris is a significant related party to us through its a 56 percent ownership of our common stock. Our investor agreement with Harris provides that:

Harris will not, and will not permit any of its affiliates to, directly or indirectly, enter into any transaction or series of related transactions with us or any of our subsidiaries unless (i) the transaction is on arm's length terms and (ii) if it has a fair market value of more than $5 million, the transaction must be approved in advance by a majority of the Class A Directors. The foregoing restrictions do not apply to:

- transactions relating to employment arrangements, employee benefits, stock options and stock ownership plans approved by the Board,
- the payment of reasonable and customary fees to Directors who are not Harris Stratex Networks employees,
- indemnification or insurance arrangements covering Harris Stratex Networks directors and officers, and
- any payments or other transactions pursuant to our tax-sharing agreement with Harris.

We have sales to, and purchases from, Harris and/or other Harris entities from time to time. Our sales to Harris entities in fiscal 2007 were $1.9 million. On January 26, 2007, we entered into a transition services agreement with Harris to provide for certain services during the period subsequent to the merger with Stratex. These services are charged to us based primarily on actual usage and include database management, supply chain operating systems, e-Business services, sales and service, financial systems, back office material resource planning support, HR systems, internal and information systems shared services support, network management and help desk support, and server administration and support. We paid Harris $3.7 million in fiscal 2007 for these services. We share the directors' and officers' insurance policy with Harris. The primary layer is available to Harris and the Company on a first-case, first-served basis. We have an additional $25 million of insurance coverage, which is for use solely by us

and our officers and directors. An extra $10 million of additional coverage is in place for directors only. We owe Harris $204,834 for this insurance coverage.

Prior to January 26, 2007, MCD used certain assets in Canada owned by Harris that were not contributed to us as part of the Combination Agreement. We continue to use assets in Canada owned by Harris in our business, and have entered into a 5-year capital lease agreement with Harris to accommodate this use. Our total obligation to Harris under the lease agreement is $5.9 million. In addition, we have another lease agreement with Harris Corporation for premises in Florida used by a portion of our network operations group.

Prior to our merger, some of the former MCD executives were awarded options to purchase Harris common stock. In accordance with Statement of Financial Accounting Standards No. 123(R) "Share-Based Payment" ("SFAS 123(R)"), we recognized these expenses and have reimbursed Harris Corporation with cash in the amount of $1.6 million. We have agreed with Harris that Harris and its other affiliates are only permitted to enter into transactions with us if the transaction is approved by the majority of non-Harris directors on the Board or is on terms no less favorable in any material respect to us than those that could have been obtained by us taking into consideration the then prevailing facts and circumstances, if we negotiated the transaction with an informed, unrelated third party. However, if a transaction has a fair market value of more than $5 million, it must be approved in advance by a majority of Class A directors. Harris and Harris Stratex have agreed that certain specified transactions relating to the payment of directors' fees, employee benefits and other similar arrangements, indemnification arrangements and tax-sharing arrangements between us and any other entity with which we file a consolidated tax return or with which we are part of a consolidated group for tax purposes will not be subject to these restrictions. For further discussion, please refer to the "Summary Compensation Table," on page 25.

Tax Sharing Arrangements

We have entered into a tax sharing agreement which provides that if our financial results are required to be included in a Harris consolidated, combined, or unitary income or franchise tax return, or vice versa, the parties have agreed to consent to the inclusion of such results in the combined return. We have agreed to reimburse Harris for any tax liability of ours reflected in a Harris tax return (and vice versa), and Harris has agreed to reimburse us for use of any tax benefits of ours that are used by Harris in its tax return (and vice versa). These arrangements also apply to our subsidiaries as well as to those of Harris Corporation, although for purposes of the tax sharing agreement, neither we nor our subsidiaries are considered subsidiaries of Harris Corporation. There were no settlement payments under these arrangements that we recorded in the fiscal year ended June 29, 2007.

DIRECTOR COMPENSATION AND BENEFITS

The form and amount of director compensation is reviewed and assessed from time to time by the Corporate Governance 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:

- $30,000 basic annual cash retainer, payable on a quarterly basis, which a director may elect to receive in the form of Class A common stock;
- $10,000 annual cash retainer, payable on a quarterly basis, for service as Chairman of the Board and as Chairman of the Audit Committee;
- $5,000 annual cash retainer, payable on a quarterly basis, for service as the Chairman of the Corporate Governance Committee of our Board;
- $8,000 annual cash retainer, payable on a quarterly basis, for serving as Chairman of the Compensation Committee;

- $3,000 for attendance at each meeting or $1,500 for participation in a telephonic meeting of our Board; $2,000 for attendance at each committee meeting; and $1,000 for participation in a telephonic Committee meeting; and

- Annual grant of Class A common stock valued at $60,000 ($90,000 for the period from 1/26/07 — 6/29/07) with a one-year vesting period with 25 percent of the grant vesting per quarter.

We reimburse each non-employee director for reasonable travel expenses incurred 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 2007 Compensation of Non-Employee Directors

Our non-employee directors received the following aggregate amounts of compensation in respect of the fiscal year ended June 29, 2007.

Name	Fees Earned or Paid in Cash ($)	Stock Awards(1) ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Changes in Pension Value and Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Eric C. Evans(2)	17,500	49,900	—	—	—	—	67,400
William A. Hasler	34,000	37,400	—	—	—	—	71,400
Clifford H. Higgerson	31,000	37,400	—	—	—	—	68,400
Charles D. Kissner	36,000	37,400	—	—	—	—	73,400
Howard L. Lance(3)	—	—	—	—	—	—	—
Dr. Mohsen Sohi	25,500	37,400	—	—	—	—	62,900
Dr. James C. Stoffel	35,000	37,400	—	—	—	—	72,400
Edward F. Thompson	39,000	37,400	—	—	—	—	76,400

(1) Our directors commenced service on January 26, 2007, the date of the merger and combination. Each director received an initial grant of restricted shares with a value of $90,000 pursuant to our 2007 Stock Equity Plan upon commencement of the director's service for each year of service on the board of directors. The amounts shown represent the compensation expense that we recognized in our fiscal year 2007 consolidated financial statements as determined in accordance with SFAS 123(R). Pursuant to SEC rules, these amounts are not reduced by an estimate of forfeiture probability. Assumptions used in the calculation of these amounts are included in Notes B and O in our fiscal 2007 consolidated financial statements, in Part II, Item 8 of our annual report on Form 10-K, filed with the SEC on August 27, 2007. The value ultimately realized may be significantly more or less than the amount indicated, depending on the price of our Class A common stock at the time of vesting. The awards vested with respect to 25 percent of the shares on April 26, 2007 and will vest at the rate of 25 percent for each three-month period thereafter, becoming fully vested on January 26, 2008, one year after commencement of service as a director. As of June 29, 2007, our non-employee directors owned the following aggregate number of shares of our Class A common stock: Howard L. Lance — 0 shares owned and 0 unvested restricted shares beneficially owned; Eric C. Evans — 1,468 shares owned and 4,402 unvested restricted shares beneficially owned; William A. Hasler — 9,788 shares owned and 3,300 unvested restricted shares beneficially owned; Clifford H. Higgerson — 133,395 shares owned and 3,300 unvested restricted shares beneficially owned; Charles D. Kissner — 60,075 shares owned and 3,300 unvested restricted shares beneficially owned; Dr. Mohsen Sohi — 1,100 shares owned and 3,300 unvested restricted shares beneficially owned; Dr. James C.

Stoffel — 1,100 shares owned and 3,300 unvested restricted shares beneficially owned; and Edward F. Thompson — 3,600 shares owned and 3,300 unvested restricted shares beneficially owned.

(2) Mr. Evans has elected to receive his annual retainer in the form of Class A common stock which vests with respect to 25 percent of the shares during each of the three months in the period ending January 26, 2008. This amount represents five months of compensation expense for the period ended June 29, 2007, as determined in accordance with SFAS 123(R.)

(3) Mr. Lance is Chief Executive Officer of Harris. As such, although he is considered to be one of our non-employee directors, he has elected not to take compensation for his services.

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 civil 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 charter and 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 it 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 Class A common stock as of September 28, 2007 by each person or entity known by us to beneficially own more than 5 percent of our Class A common stock, by our directors, by our named executive officers and by all our directors and executive officers as a group. This table also provides information with respect to the beneficial ownership of our Class B common stock (all of which is owned by Harris) taken together with our Class A common stock. 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 Harris Stratex Networks, Inc., 637 Davis Drive, Morrisville, NC 27560. As of September 28, 2007, there were 25,478,101 shares of our Class A common stock outstanding and 32,913,377 shares of our Class B common stock outstanding. Total common stock outstanding as of September 28, 2007 was 58,391,478.

	Shares Beneficially Owned as of September 28, 2007(1)			
Name and Address of Beneficial Owner	**Number of Shares of Class A Common Stock(2)**	**Number of Shares of Class B Common Stock(3)**	**Percentage of Voting Power of Class of Stock**	**Percentage of Voting Power of Common Stock**
Harris Corporation 1025 West NASA Boulevard Melbourne, Florida 32919-0001	32,913,377(3)	32,913,377(3)	100%	56.37%
State of Wisconsin Investment Board 121 E. Wilson Street Madison, WI 53703	2,183,729(4)	—	**8.57%**	3.74%
Wellington Management Company, LLP 75 State Street Boston, Massachusetts 02109	2,008,413(5)	—	**7.88%**	3.44%
The Vanguard Group, Inc. 455 Devon Park Drive Wayne, PA 19087-1815	1,967,486(6)	—	**7.72%**	3.37%
Disciplined Growth Investors, Inc. Fifth Street Towers 100 South Fifth Street, Suite 2100 Minneapolis, MN 55402	1,447,709(7)	—	**5.68%**	2.48%
Granahan Investment Management, Inc. 275 Wyman Street, Suite 270 Waltham, MA 02451	1,429,645(8)	—	**5.61%**	2.45%
NAMED EXECUTIVE OFFICERS AND DIRECTORS				
Charles D. Kissner	586,453(9)	—	2.26%	1.00%
Guy M. Campbell	23,100	—	*	*
Eric C. Evans	5,870	—	*	*
William A. Hasler	20,588(10)	—	*	*
Clifford H. Higgerson	142,945(11)	—	*	*
Howard L. Lance	—	—	*	*
Dr. Mohsen Sohi	4,400	—	*	*
Dr. James C. Stoffel	4,400	—	*	*
Edward F. Thompson	19,400(12)	—	*	*
Sarah A. Dudash	20,500	—	*	*
Stephen J. Gilmore	12,500	—	*	*
John W. Koenig	11,300	—	*	*
Paul A. Kennard	189,306(13)	—	*	*
Thomas H. Waechter	132,291(14)	—	*	*
All directors and executive officers as a group (21 persons.)	1,489,059(15)	—	**5.63%**	2.51%

* 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 Class A 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 Class A common stock that such person has the right to acquire within 60 days of September 28, 2007 by the exercise of stock options.

(3) Shares of Class B common stock are convertible, at the option of the holder, Harris, on a one-for-one basis for shares Class A common stock. The Harris board of directors has authority regarding voting and disposition of these shares and no individual Class B director or any other person or group is deemed to beneficially own any of these shares.

(4) The address and number of shares of Class A common stock beneficially owned by the State of Wisconsin Investment Board is based on Schedule 13F-HR as filed with the Securities and Exchange Commission on August 13, 2007. State of Wisconsin Investment Board reported sole voting and dispositive power over 2,183,729 shares.

(5) The address and number of shares of Class A common stock beneficially owned by Wellington Management Company, LLP is based on Schedule 13F-HR as filed with the Securities and Exchange Commission on August 14, 2007. Wellington Management Company Inc. reported sole dispositive power over 1,283,400 shares, shared dispositive power over 725,013 shares and sole voting power over 536,300 shares. In this same filing Wellington Trust Company, NA reported shared dispositive power and shared voting power over 367,438 shares. In this same filing Wellington International Management Company Pte Ltd reported shared dispositive power over 24,000 shares. In this same filing Wellington Management International, Ltd reported shared dispositive power over 333,575 shares and shared voting power over 50,900 shares.

(6) The address and number of shares of Class A common stock beneficially owned by The Vanguard Group, Inc. is based on Schedule 13F-HR/A as filed with the Securities and Exchange Commission on August 17, 2007. The Vanguard Group, Inc. reported sole dispositive power and sole voting power over 1,942,875 shares and shared dispositive power and shared voting power over 24,611 shares. In this same filing Vanguard Fiduciary Trust Company reported shared dispositive power and shared voting power over 24,611 shares.

(7) The address and number of shares of Class A common stock beneficially owned by Disciplined Growth Investors Inc. is based on Schedule 13G as filed with the Securities and Exchange Commission on August 9, 2007. Disciplined Growth Investors, Inc. reported sole voting power over 1,254,009 shares, shared voting power over 193,700 shares, sole dispositive power over 1,447,709 shares and aggregate beneficial ownership of 1,447,709 shares.

(8) The address and number of shares of Class A common stock beneficially owned by Granahan Investment Management, Inc. is based on the Schedule 13F-HR as filed with the Securities and Exchange Commission on July 9, 2007. Granahan Investment Management, Inc. reported sole dispositive power over 1,429,645 shares and had sole voting power over 220,791 shares.

(9) Includes options to purchase 523,078 shares of Class A common stock that are currently exercisable or will become exercisable within 60 days of September 28, 2007.

(10) Includes options to purchase 7,500 shares of Class A common stock that are currently exercisable or will become exercisable within 60 days of September 28, 2007.

(11) Includes options to purchase 6,250 shares of Class A common stock that are currently exercisable or will become exercisable within 60 days of September 28, 2007. Includes 24,400 shares held by, or in trusts for, members of Mr. Higgerson's family. Also includes 107,895 shares held by Higgerson Investments. Mr. Higgerson disclaims beneficial ownership of the shares held in trust and held by Higgerson Investments.

(12) Includes options to purchase 12,500 shares of Class A common stock that are currently exercisable or will become exercisable within 60 days of September 28, 2007.

(13) Includes options to purchase 142,791 shares of Class A common stock that are currently exercisable or will become exercisable within 60 days of September 28, 2007. Includes 1,650 shares held by Mr. Kennard's son and daughter. Mr. Kennard disclaims beneficial ownership of the shares held by his son and daughter.

(14) Includes options to purchase 118,750 shares of Class A common stock that are currently exercisable or will become exercisable within 60 days of September 28, 2007.

(15) Includes options to purchase an aggregate of 988,140 shares of Class A common stock that are currently exercisable or will become exercisable within 60 days of September 28, 2007.

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 by NASDAQ 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 internal control processes. 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 GAAP, and discusses with the Audit Committee any issues they believe should be raised with us.

The Audit Committee reviews reports and provides guidance to 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 June 29, 2007 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. 61, 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 our audited financial statements for the year ended June 29, 2007 be included in our Annual Report on Form 10-K.

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

INDEPENDENT AUDITOR'S FEES

Ernst & Young has been approved by our Audit Committee to act as our independent registered public accounting firm for the fiscal year ending June 29, 2008. Representatives of Ernst & Young LLP will be present at the 2007 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 for the fiscal year ended June 29, 2007 are as follows:

	2007
Audit Fees(1)	$2,181,400
Audit-Related Fees(2)	—
Tax Fees(3)	5,500
All Other Fees(4)	—
Total Fees for Services Provided	$2,186,900

(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) No audit-related services were rendered or fees billed for the fiscal year ended June 29, 2007.

(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.

Ernst & Young did not perform any professional services related to financial information systems design and implementation for us in fiscal 2007.

The Audit Committee has determined in its business judgment that the provision of non-audit services described above is compatible with maintaining Ernst & Young'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, and practices. It is also intended to provide context for the compensation information for our CEO, CFO, and four other most highly compensated executive officers (our "named executive officers") detailed in the Summary Compensation Table on page 25, and in the other tables and narrative discussion that follows.

The Compensation Committee has oversight responsibility for the establishment and implementation of compensation policies and programs for our executive officers to provide that they are compensated in a manner consistent with our compensation objectives and principles. The Compensation Committee also monitors the executive succession plans and monitors our performance as it relates to overall compensation policies for employees.

The Board generally has delegated to the Compensation Committee final decision-making authority with respect to the compensation of our named executive officers, other than our Chief Executive Officer, as to whom the Compensation Committee makes a recommendation subject to the Board's approval. In carrying out its responsibilities, the Compensation Committee may engage outside consultants and consult with our Human Resources Department, as the Compensation Committee determines to be appropriate. The Compensation Committee also may obtain advice and assistance from internal or external legal, accounting and other advisers selected by the Compensation Committee. The Compensation Committee may delegate any of its responsibilities to one or more

directors or to members of management, to the extent permitted by our charter documents and applicable law. The Compensation Committee has authorized members of management to make salary adjustments and bonus decisions under guidelines approved by the Compensation Committee for all employees other than executive officers.

Awards under the 2007 Stock Equity Plan for our executives, other than the Chief Executive Officer, are recommended to the Compensation Committee by the Chief Executive Officer. All awards are reviewed by the Compensation Committee. Under our Compensation Committee charter, the Committee is authorized to approve all awards except awards to the Chief Executive Officer, which it recommends to the full Board. In fiscal 2007, the awards for all named executive officers were approved by the full Board on the recommendation of the Compensation Committee.

Compensation Philosophy and Objectives

In connection with other pre-merger activities, the prospective management team for the combined company, in consultation with several prospective members of our Board, developed and formulated for fiscal 2007 and fiscal 2008 the Company's current compensation and benefits philosophy and objectives, which generally were reviewed and approved by the Compensation Committee and the full Board at a meeting held shortly after consummation of the MCD-Stratex combination on January 26, 2007. At that meeting, the Board approved proposals for base salary, annual bonus range and long term incentives in relation to base salary, and severance benefits for all of the named executive officers, as well as Mr. Campbell's employment agreement. The remaining elements of the compensation packages for our named executive officers were approved by the Board at a meeting on February 28, 2007.

The total executive compensation program was developed within the context of the newly-created company, 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 Compensation Committee recommended, and the full Board concurred, that the executive compensation program should —

- reward superior performance;
- motivate our executives to achieve any strategic, operational, and financial goals;
- reward post-merger integration efforts and results; and
- enable us to attract and retain a world-class management team.

Going forward, the Compensation Committee will conduct annual reviews 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 and leading corporate governance principles.

Competitive Market Data

To help establish the initial level and mix of compensation for each of our named executive officers, the Compensation Committee utilized the compensation consultants Towers Perrin to advise on various matters relating to our executive compensation and benefits program. Towers Perrin's services included:

- advising the Compensation Committee on general trends in executive compensation and benefits;
- performing benchmarking and competitive assessments;
- designing incentive plans; and
- recommending appropriate performance metrics.

Targets for total compensation for our executive officers, including the named executive officers, were set with reference to a benchmark group of companies derived from the National High Tech Survey of cash compensation published by Radford Surveys and Consulting (the "Radford Survey") for technology companies with revenues between $200 million and $1 billion. We also used long-term incentive data collected by Towers Perrin for a group

of companies that Towers Perrin reviewed with management and the Compensation Committee and proposed for benchmarking data considering primarily the following attributes: business operations in the industries and businesses in which we participate, similar revenue and market capitalization, and complex businesses that compete for the same executive talent. For fiscal year 2007, the Compensation Committee set targets for each element of executive compensation at performance levels corresponding to percentile targets obtained from the Radford Survey and the data collected by Towers Perrin.

Total Compensation Elements

Our executive compensation program includes four major elements:

- base pay
- 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 revenue, operating income, net income, and cash flow from operations.

Our compensation policy and practice is to target total compensation levels for all employees, including our named executive officers, nominally at the 50th percentile for similar positions as derived from the selected compensation database, assuming experience in the position and competent performance, although 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 unique background, experience or position, because part of our compensation philosophy is to recognize outstanding contributions with above-market compensation.

The incentive compensation program is incremental to the base salary and has two major elements:

- an annual cash component, consisting of an incentive cash bonus, which is based on attainment of performance targets established for the fiscal year; and
- a long-term equity incentive component, consisting of: (1) performance shares with vesting generally based upon meeting performance targets over a 30-month period; and (2) stock options with a 36-month graded vesting schedule.

In addition, in connection with the MCD-Stratex combination, on February 28, 2007, we issued restricted shares for retention purposes to selected executives, including four of our six named executive officers.

Payouts for annual cash incentive awards are based upon the degree to which we achieve the applicable operating results established at the start of the fiscal year. Individual awards then may be adjusted plus or minus 20 percent to recognize the unique contributions of each executive officer. Similarly, long-term compensation in the form of performance share awards is based upon the degree to which we attain performance results established at the start of the performance period.

2007 Cash Compensation

Base Salary. Base salaries are provided as compensation for day-to-day responsibilities and services to us. Executive salaries are reviewed after the end of a fiscal year. The first seven months of fiscal year 2007 preceded the combination of the MCD and Stratex, and the compensation of those named executive officers who were employed by MCD or Stratex prior to January 26, 2007, was not determined by our Compensation Committee. To determine compensation for the remainder of fiscal year 2007, the Compensation Committee reviewed base salaries for our named executive officers as recommended by the prospective management team in connection with the pre-merger activities, and approved the base salary of each executive officer on a case-by-case basis taking into account the individual officer's responsibilities, his or her previous compensation with MCD or Stratex, the compensation information from the Radford Survey and the compensation program objectives. The Compensation Committee

approved and recommended to the Board the base salaries for fiscal 2007 for our named executive officers set forth on page 25. Base pay was determined with reference to the amount paid for each equivalent executive position at the 50th percentile in the Radford Survey. If the recommended amount of base pay was more than 15 percent below the percentile amount, the base salary was adjusted upward; otherwise no adjustments were made.

Incentive Pay. The short-term incentive element of our executive compensation program consists of an Annual Incentive Plan or AIP. The plan covers the second half of the fiscal year performance period. Our AIP for fiscal year 2007 provided our executives, including our named executive officers, with the opportunity to achieve total cash compensation above the 50th percentile in the Radford Survey if our financial performance for the second half of the fiscal year exceeded the targets set by the Compensation Committee. Under the AIP for fiscal year 2007, potential payouts ranged from zero to 200 percent of target cash payout depending on our revenue and operating income results, as adjusted, for fiscal year 2007. These performance targets utilized revenue and operating income computed in accordance with generally accepted accounting principles, or GAAP, for the five-month period ended June 29, 2007 (the period subsequent to the merger), adjusted as if the merger had occurred at the end of December 2006 and to exclude unique operating items related to the merger and the combination. The adjustments included adding Stratex's revenue and operating income for the month of January 2007 and removing post-merger purchase accounting adjustments, including the amount of amortization of identifiable intangible assets, the write-off of acquired in-process research and development costs, the amount of amortization of valuation increases to inventory and fixed assets and costs associated with the assumption of former Stratex unvested stock options. Adjustments also were made to remove other merger-related costs from restructuring, severance and integration activities. Finally, SFAS 123(R) stock-based compensation expenses for the five-month period ended June 29, 2007 and the corporate allocations expense from Harris to MCD for the month of January 2007 were eliminated.

The AIP for fiscal year 2007 contained minimum thresholds and payout ratios for both performance measures and assigned a weight of 60 percent to revenue and 40 percent to operating income. Performance relative to each measure was evaluated independently (see Table 1, below), and the plan provided for no payout unless our performance met at least one target threshold percentage.

Table 1

Annual Cash Incentive Plan		Results-Driven Payout	
Metric	**Tiers**	**Performance (As% of Financial Target) (%)**	**Payout (As% of Award Target) (%)**
Revenue, as adjusted (60)%	Threshold	90	80
	Target	100	100
	Maximum	150	200
Operating Income, as adjusted (40)%	Threshold	80	80
	Target	100	100
	Maximum	150	200

In determining the individual cash incentive target amounts for the fiscal year 2007 AIP, the prospective management team and Compensation Committee considered the bonus targets set for similarly situated individuals in the Radford Survey and established targets to be near the 50th percentile plus or minus 5 percent. The average target cash incentive as a percentage of base salary earned during the second half of the fiscal year for our continuing named executive officers in fiscal year 2007 was 61 percent, with a range from 45 percent to 100 percent.

The fiscal year 2007 AIP did not guarantee payout of the target amounts, and the Compensation Committee considered the revenue and operating income targets to be challenging.

For the measurement period of the 2007 fiscal year AIP, we achieved 92 percent of the revenue target and 44 percent of the operating income target. Since the minimum threshold for operating income was not achieved there was no payout for this portion of the plan. Our continuing named executive officers received approximately 20 percent of the total payout under this plan. The specific amount paid to each named executive officer is shown on the Summary Compensation Table on page 25. Our Chief Executive Officer received $126,000, which represented

approximately 25 percent of his base salary. We expect the short-term incentive pay to continue to be a component of our total executive compensation program.

2007 Long-Term Incentive Compensation Awards

The 2007 Stock Equity Plan permits the grant of stock options, stock appreciation rights, restricted shares, restricted stock units, performance shares, and other stock-based awards to our employees. In establishing the recommended value of long-term equity incentives to be awarded in fiscal 2007, the Compensation Committee utilized market data provided by Towers Perrin from the available compensation database. The Compensation Committee considered the value of similar grants for equivalent positions with reference to the 50th percentile of the market. The average value of the fiscal 2007 long-term incentive award for continuing named executive officers was 117 percent of base salary, with a range from 75 percent to 190 percent. Long-term incentive awards were granted under the 2007 Stock Equity Plan on February 28, 2007, valued as follows: 50 percent through awards of performance shares and 50 percent through the grant of stock options, based on the closing price of a share of Class A common stock on the NASDAQ Global Market on that date. For the purposes of calculating how we expense these awards, we valued performance share awards at the closing price on that date, without reduction to reflect the performance and other conditions. We valued options using the method specified in SFAS 123(R). These awards are intended as incentives for the 29-month period ending June 26, 2009. We expect to present similar multi-year plans, each covering a three-year period, for Board approval each year. No new multi-year plan is currently proposed for adoption in our 2008 fiscal year, however.

Performance Shares. In general, the Compensation Committee will determine the applicable multi-year performance criteria and vesting cycle for performance share awards with a view to allowing the shares to be earned at the end of each 3-year plan cycle. The fiscal 2007 performance share awards require both continuous employment through June 30, 2009, and achievement of at least the minimum performance result for one or both key performance metrics for the period from January 1, 2007 through June 26, 2009. The employment agreement for our Chief Executive Officer, however, provides for a shorter initial long-term incentive program, ending June 30, 2008.

The performance metrics for the current award cycle are net income, as adjusted, and cash flow from operations, as adjusted, with each measure weighted 50 percent. Net income and cash flow from operations are reported GAAP results, adjusted to make the same non-GAAP adjustments to net income and corresponding non-GAAP adjustments to cash flow from operations as the adjustments made to operating income under the fiscal year 2007 AIP, discussed above.

Under the 2007 long-term equity incentive awards, performance shares are earned if at least 90 percent of either target is met. The maximum possible entitlement to performance shares will occur if 120 percent of both targets is achieved. Irrespective of performance versus target, there is no entitlement to performance shares unless the award recipient continues to be employed throughout the multi-year period.

Table 2, below, outlines the metrics of the performance share plan adopted in 2007.

Table 2

Performance Share Plan		Results-Driven Entitlement	
Metric (Jan. 1, 2006-June 26, 2009	**Tiers**	**Performance (As% of Financial Target) (%)**	**Entitlement (As% of Entitlement at Target) (%)**
Net Income, as adjusted (50)%	Threshold	90	80
	Target	100	100
	Maximum	120	150(1)
Cash Flow from Operations, as adjusted (50)%	Threshold	90	80
	Target	100	100
	Maximum	120	150(1)

(1) We have committed to allocate additional shares if an evaluation of performance exceeds the 100 percent target, up to a maximum of 120 percent of the target.

Stock Options. In general, options are granted with an exercise price equal to the fair market value of the Class A common stock on the grant date, which currently would be the closing price on the date 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. This vesting schedule applied to all of the stock options granted during fiscal 2007, which also have a term of seven years. No options were granted to any of the named executive officers in fiscal 2007 except in connection with the Long-Term Equity Incentive awards described above.

Restricted Stock Awards. Awards of restricted shares or units may be made on a selective basis to individual executives for the purpose of retention. Restricted shares are subject to repurchase by us for nominal consideration if the specified vesting or other conditions are not satisfied. For compensation planning purposes, awards of restricted shares are valued at the fair market value of the shares on the date of award, without reduction to reflect vesting or other conditions. In fiscal year 2007, restricted stock awards were made to four of our continuing named executive officers (not including our Chief Executive Officer) as shown in the table of Grants of Plan-Based Awards in Fiscal 2007. Each officer's awarded shares are subject to repurchase for nominal consideration if he or she does not remain continuously employed by us through February 28, 2010.

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

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 plans and options grants 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. Pursuant to recently published final treasury regulations, we expect that we may be required to amend some of our plans and arrangements to make them either exempt from or comply with Section 409A.

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

In fiscal year 2007, the 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 car and housing allowances, 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. The company-matching contribution for the 2007 401(k) Plan year was up to five percent of compensation contributed by the employee to the 401(k) Plan, to a maximum per participating employee of $20,500 for employees age 50 and over, 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.

The 401(k) 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 35. We have determined that such payments and benefits are an integral part of a competitive compensation package for our named executive officers. Mr. Thomas H. Waechter, our former Chief Operating Officer, voluntarily terminated his employment effective June 7, 2007. Under the terms of his employment agreement, he received severance pay of $1,350,000 and an annual incentive payout of $360,000 for fiscal year 2007. He also received a cash payment of $43,200 as a car allowance and COBRA benefit payments totaling $17,425. He may exercise vested options over a 36-month period. The value of Mr. Waechter's total termination benefits was $1,824,911. For additional information regarding our employment agreements with our named executive officers, reference 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 June 29, 2007.

Compensation Committee of the Board of Directors

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

Summary Compensation Table

The following table summarizes the total compensation for our fiscal year ended June 29, 2007 of our named executive officers, who consisted of our Chief Executive Officer, Chief Financial Officer, the next three other most

Proxy Statement

highly compensated executive officers, and one former executive officer who would have been included in such table had he served as an executive officer at June 29, 2007.

Name/Principal Position	Fiscal Year(1)	Salary(3) ($)	Bonus ($)	Stock Awards(4) ($)	Option Awards(5) ($)	Non-Equity Annual Incentive Plan Compensation(6) ($)	Change in Pension Value and Non-Qualified Deferred Compensation (7) ($)	All Other Compensation(8) ($)	Total ($)
Guy M. Campbell President, Chief Executive Officer and Director	2007	426,346	—	368,941	283,109	126,000	—	118,469	1,322,865
Sarah A. Dudash Vice President and Chief Financial Officer	2007	187,000	—	116,646	66,474	63,516	—	88,261	521,897
John W. Koenig Vice President, Product Line Management	2007	205,756	—	138,953	55,489	45,528	—	70,435	516,161
Paul A. Kennard Chief Technology Officer	2007	156,996	—	69,943	106,317	47,500	—	13,233	393,989
Stephen J. Gilmore Vice President, Human Resources	2007	165,538	—	61,361	40,583	41,627	—	42,574	351,683
Thomas H. Waechter former Chief Operating Officer(2)	2007	188,564	—	—	907,290	—	—	1,843,485	2,939,339

(1) Our fiscal year ended June 29, 2007. We acquired Stratex on January 26, 2007. The amounts in this table represent total compensation paid or earned for our fiscal year as included in our annual financial statements. Accordingly, amounts for Mr. Campbell, Ms. Dudash, Mr. Koenig and Mr. Gilmore represent their total compensation for the entire fiscal year because they were employed by MCD, our accounting predecessor. Amounts for Messrs. Kennard and Waechter represent total compensation for their services for the period from January 26, 2007 through June 29, 2007, when their employment with us commenced.

(2) Mr. Waechter resigned as Chief Operating Officer effective June 7, 2007. The amount of compensation under Option Awards consists primarily of the amount of stock-based compensation expense recorded upon acceleration of vesting of such awards in accordance with SFAS 123(R).

(3) The base salaries for the named executive officers for fiscal 2008 are $500,000 for Mr. Campbell, $240,000 for Ms. Dudash, $235,000 for Mr. Koenig, $314,000 for Mr. Kennard and $188,000 for Mr. Gilmore.

(4) These stock awards consist of awards of restricted stock and performance shares granted on February 28, 2007 pursuant to our 2007 Stock Equity Plan, as well as awards from Harris. The amount of compensation for awards under the Harris plan were $284,791 for Mr. Campbell, $51,439 for Ms. Dudash, $23,192 for Mr. Gilmore, and $103,455 for Mr. Koenig. The amount of compensation for awards under the 2007 Stock Equity Plan were $84,150 for Mr. Campbell, $65,207 for Ms. Dudash, $69,943 for Mr. Kennard, $38,169 for Mr. Gilmore, and $35,498 for Mr. Koenig. Amounts in this column do not reflect compensation actually received by the named executive officers. These amounts represent the annual compensation expense that we recognized in our fiscal year 2007 consolidated financial statements as determined in accordance with SFAS 123(R). These amounts have not been reduced by an estimate of forfeiture probability. Assumptions used in the calculation of these amounts are included in Notes B and O in our fiscal 2007 consolidated financial statements, included in Part II, Item 8 of our Annual Report on Form 10-K, filed with the SEC on August 27, 2007. The value ultimately realized by the named executive officers may be significantly more or less than the amount indicated, depending on the price of our common stock at the time of vesting and whether or not certain performance and employment criteria are met to allow vesting.

(5) Stock options may consist of options to purchase Harris common stock granted prior to January 26, 2007, options granted by Stratex prior to our merger which we have assumed, and options granted pursuant to our 2007 Stock Equity Plan. Compensation for options granted under the Harris Plan was $221,712 for Mr. Campbell, $43,274 for Ms. Dudash, $31,482 for Mr. Gilmore and $44,081 for Mr. Koenig. Compensation for former Stratex option grants was $87,090 for Mr. Kennard and $907,290 for Mr. Waechter. Compensation for options granted under the 2007 Stock Equity Plan was $61,397 for Mr. Campbell, $23,200 for Ms. Dudash, $19,227 for Mr. Kennard, $9,101 for Mr. Gilmore, and $11,408 for Mr. Koenig. The amounts shown are the amounts of annual compensation expense that we recognized in our fiscal year 2007 consolidated financial statements as determined in accordance with SFAS 123(R). Pursuant to SEC rules, these amounts are not reduced by an estimate of forfeiture probability. Assumptions used in the calculation of these amounts are included in Notes B and O in our fiscal 2007 consolidated financial statements, included in Part II, Item 8 of our Annual Report on Form 10-K filed with the SEC on August 27, 2007. The value ultimately realized by the named executive officers may be significantly more or less than the amount indicated, depending on the price of our common stock at the time of vesting, exercise and sale and whether or not certain employment criteria are met to allow vesting.

(6) Represents amounts paid in fiscal 2008 in respect of 2007 performance under the fiscal year 2007 AIP, which were 50 percent of the annual target for the period from January 26, 2007 through the end of fiscal year 2007. Also includes the following amounts paid by Harris in fiscal 2007 to former MCD employees for performance in the 7 month period ended January 26, 2007 prior to the merger: $30,216 for Ms. Dudash, $20,327 for Mr. Gilmore and $18,928 for Mr. Koenig.

(7) We do not currently have our own pension plan or deferred compensation plan. However, Mr. Campbell, Ms. Dudash, Mr. Koenig, and Mr. Gilmore will, upon retirement, be entitled to receive benefits under the Harris Corporation Retirement Plan and Supplemental Employment Retirement Plan based on their service to us or Harris Corporation prior to January 26, 2007. There were no preferential or above-market earnings on amounts of compensation deferred by our named executive officers.

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

Name	Life Insurance(a) ($)	Housing and Auto Allowance(b) ($)	Merger Bonus(c) ($)	Travel Disruption(d) ($)	Cash Dividend Equivalent Payments(e) ($)	Contributions to Harris Corporation Retirement Plan(f) ($)	Contributions to Harris Corporation Supplemental Employment Retirement Plan(g) ($)	Harris Stratex Networks, Inc. Matching Contributions Under 401(k) Plan(h) ($)	Severance & Related Benefits(i) ($)	Total All Other Compensation ($)
Guy M. Campbell	3,782	—	—	—	10,120	30,462	74,105	—	—	118,469
Sarah A. Dudash	438	—	32,500	16,079	2,640	28,484	3,043	5,077	—	88,261
John W. Koenig	274	—	5,000	21,446	2,728	19,477	16,539	4,971	—	70,435
Paul A. Kennard	—	5,400	—	—	—	—	—	7,833	—	13,233
Stephen J. Gilmore	379	—	10,000	—	748	22,950	4,520	3,977	—	42,574
Thomas H. Waechter	—	7,200	—	—	—	—	—	11,374	1,824,911	1,843,485

(a) Represents premiums paid by Harris for life insurance prior to January 26, 2007 that are included in taxable income for the named executive officer.

(b) Represents taxable amounts paid under former Stratex Compensation policies that carried forward after the merger on January 26, 2007.

(c) Represents taxable amounts paid relating to work performed by former MCD personnel on the merger.

(d) Represents taxable amounts paid to former MCD personnel for reimbursement of planned vacation costs that were disrupted as a result of work required to close the merger.

(e) Represents cash dividend equivalent payments on Harris outstanding restricted shares for which the vesting period had not expired and outstanding performance shares for which the performance period had not expired.

(f) Represents amounts contributed by Harris to the Retirement Plan account of the respective named executive.

(g) Represents amounts contributed by Harris to the Supplemental Employment Retirement Plan account of the respective named executive.

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

(i) Represents severance benefits to this former executive officer under the terms of his employment agreement.

Grants of Plan-Based Awards In Fiscal 2007

The following table lists our grants and incentives during our fiscal year ended June 29, 2007 of plan based awards, both equity and non-equity based and including our Annual Incentive Plan, to the executive officers and former executive officers named in the Summary Compensation Table. There is no assurance that the grant date fair value of stock and option awards will ever be realized.

Name	Grant Date (1)	Actual Payments Under Short-Term Non-Equity Incentive Plan Awards $	Estimated Possible Payouts Under Short-Term Non-Equity Incentive Plan Awards in Fiscal 2007[2]			Estimated Future Payments Under Long-Term Equity Incentive Plan Awards in Fiscal 2007[3]			All Other Stock Awards in Fiscal 2007		Exercise or Base Price of Option Awards ($/Share)	Grant Date Fair Value of Stock and Option Awards(8)
			Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	Number of Shares of Stock or Units (#)	Number of Security Underlying Options (#)		
Guy M. Campbell	08/25/06	—	—	—	—	—	—	—	—	22,000(6)	43.82(6)	253,660
	08/25/06	—	—	—	—	—	—	—	5,300(4)	—	—	232,246
	02/28/07	—	—	—	—	—	—	—	—	47,900(7)	20.40(7)	556,119
	02/28/07	—	—	—	—	18,480	23,100	34,650	—	—	—	471,240
	N/A	126,000	400,000	500,000	1,000,000	—	—	—	—	—	—	—
Sarah A. Dudash	08/25/06	—	—	—	—	—	—	—	—	4,200(6)	43.82(6)	48,426
	08/25/06	—	—	—	—	—	—	—	1,000(4)	—	—	43,820
	02/28/07	—	—	—	—	—	—	—	—	18,100(7)	20.40(7)	210,141
	02/28/07	—	—	—	—	7,040	8,800	13,200	—	—	—	179,520
	02/28/07	—	—	—	—	—	—	—	11,700(5)	—	—	238,680
	N/A	33,300	105,600	132,000	264,000	—	—	—	—	—	—	—
John W. Koenig	08/25/06	—	—	—	—	—	—	—	—	4,600(6)	43.82(6)	53,038
	08/25/06	—	—	—	—	—	—	—	3,100(4)	—	—	135,842
	02/28/07	—	—	—	—	—	—	—	—	8,900(7)	20.40(7)	103,329
	02/28/07	—	—	—	—	3,440	4,300	6,450	—	—	—	87,720
	02/28/07	—	—	—	—	—	—	—	7,000(5)	—	—	142,800
	N/A	26,600	84,600	105,750	211,500	—	—	—	—	—	—	—
Paul A. Kennard	02/28/07	—	—	—	—	—	—	—	—	15,000(7)	20.40(7)	174,150
	02/28/07	—	—	—	—	5,840	7,300	10,950	—	—	—	148,920
	02/28/07	—	—	—	—	—	—	—	15,300(5)	—	—	312,120
	N/A	47,500	150,720	188,400	376,800	—	—	—	—	—	—	—
Stephen J. Gilmore	08/25/06	—	—	—	—	—	—	—	—	3,200(6)	43.82(6)	36,896
	08/25/06	—	—	—	—	—	—	—	800(4)	—	—	35,056
	02/28/07	—	—	—	—	—	—	—	—	7,100(7)	20.40(7)	82,431
	02/28/07	—	—	—	—	2,720	3,400	5,100	—	—	—	69,360
	02/28/07	—	—	—	—	—	—	—	9,100(5)	—	—	185,640
	N/A	21,300	67,680	84,600	169,200	—	—	—	—	—	—	—

(1) Grants prior to January 26, 2007 represent Harris Corporation awards prior to our merger with Stratex Networks. These awards relate to Harris Corporation common stock. Grants subsequent to January 26, 2007 represent awards under our 2007 Stock Equity Plan and relate to our Class A common stock.

(2) There are no Estimated Possible Payouts Under Short Term Non-Equity Incentive Plan Awards in fiscal 2007. The actual amount paid to each named executive officer for fiscal 2007 pursuant to our 2007 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 90 percent of the applicable business target and reaches maximum payout at financial performance at or above 120 percent of the operations of the applicable business target. Fifty percent of the award is tied to achieving pro forma net income targets and the remaining 50 percent is tied to achieving cash flow from operations targets. Currently, performance shares have not vested for any officer because this is a 30-month plan ending on June 26, 2009, except for Mr. Campbell, whose performance shares vest in an 18-month time frame, or on June 27, 2008.

(4) Restricted stock vests, if at all, in full only on the third anniversary of the grant date, or August 25, 2009. The award is for Harris common stock.

(5) Restricted stock that vests, if at all, in full only on the third anniversary of the grant date or February 28, 2010.

(6) 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 option is for Harris common stock.

(7) 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.

(8) 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 shares and stock options granted to the named executive officers in fiscal 2007. The grant date fair value of the stock and option awards is determined under SFAS 123(R) and represents the amount we would expense in our financial statements over the entire vesting schedule for the awards. In accordance with SEC rules, the amounts in this column reflect the actual SFAS 123(R) accounting cost without reduction for estimates of forfeitures related to service-based vesting conditions. For performance shares and shares of restricted stock awarded by Harris, the grant date fair value is based on a grant price of $43.82, the closing market price of Harris common stock on August 25, 2006. For performance shares and restricted stock shares awarded by us, the grant date fair value is based on a grant price of $20.40, the closing market price of our common stock on February 28, 2007. The assumptions used for determining values are set forth in Note O to our audited consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended June 29, 2007. 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 2007

The following table provides information regarding outstanding unexercised stock options and unvested stock awards held by each of our named executive officers as of June 29, 2007. 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.

		Option Awards					Stock Awards			
Name	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 ($)
Guy M. Campbell . .	08/25/06	—	22,000(1)	—	43.82	08/25/13	—	—	—	—
	08/26/05	11,850(3)	11,850(2)	—	37.19	08/26/12	—	—	—	—
	08/27/04	18,000(3)	6,000(2)	—	24.00	08/27/11	—	—	—	—
	09/08/03	50,000(3)	—	—	17.54	09/08/13	—	—	—	—
	08/25/06	—	—	—	—	—	5,300(4)	289,115(11)	—	—
	08/26/05	—	—	—	—	—	5,700(5)	310,935(11)	—	—
	02/28/07	—	47,900(6)	—	20.40	02/28/14	—	—	—	—
	02/28/07	—	—	—	—	—	—	—	23,100(7)	415,338(10)
Sarah A. Dudash . . .	08/25/06	—	4,200(1)	—	43.82	08/25/13	—	—	—	—
	08/26/05	2,050(3)	2,050(2)	—	37.19	08/26/12	—	—	—	—
	08/27/04	4,350(3)	1,450(2)	—	24.00	08/27/11	—	—	—	—
	10/03/03	4,600(3)	—	—	17.97	10/03/13	—	—	—	—
	09/17/03	2,400(3)	—	—	17.60	09/17/13	—	—	—	—
	09/27/02	2,000(3)	—	—	16.70	09/27/12	—	—	—	—

		Option Awards					Stock Awards			
Name	**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 ($)**
Sarah A. Dudash (Cont'd.)	09/26/01	2,000(3)	—	—	14.60	09/26/11	—	—	—	—
	10/06/00	2,000(3)	—	—	12.66	10/06/10	—	—	—	—
	08/27/99	1,102(3)	—	—	12.36	08/27/09	—	—	—	—
	08/28/98	440(3)	—	—	15.45	08/28/08	—	—	—	—
	08/22/97	882(3)	—	—	19.60	08/22/07	—	—	—	—
	08/25/06	—	—	—	—	—	1,000(4)	54,550(11)	—	—
	08/26/05	—	—	—	—	—	1,000(5)	54,550(11)	—	—
	08/27/04	—	—	—	—	—	4,000(5)	218,200(11)	—	—
	02/28/07	—	18,100(6)	—	20.40	02/28/14	—	—	—	—
	02/28/07	—	—	—	—	—	—	—	8,800(7)	158,224(10)
	02/28/07	—	—	—	—	—	11,700(3)	210,366(10)	—	—
John W. Koenig . . .	08/25/06	—	4,600(1)	—	43.82	08/25/13	—	—	—	—
	08/26/05	2,250(3)	2,250(2)	—	37.19	08/26/12	—	—	—	—
	08/27/04	3,600(3)	1,200(2)	—	24.00	08/27/11	—	—	—	—
	09/17/03	6,600(3)	—	—	17.60	09/17/13	—	—	—	—
	09/27/02	6,600(3)	—	—	16.70	09/27/12	—	—	—	—
	09/26/01	8,000(3)	—	—	14.60	09/26/11	—	—	—	—
	11/01/00	12,000(3)	—	—	15.72	11/01/10	—	—	—	—
	10/06/00	8,000(3)	—	—	12.66	10/06/10	—	—	—	—
	08/22/97	1,764(3)	—	—	19.60	08/22/07	—	—	—	—
	08/25/06	—	—	—	—	—	1,100(4)	60,005(11)	—	—
	08/25/06	—	—	—	—	—	2,000(4)	109,100(11)	—	—
	08/26/05	—	—	—	—	—	1,100(5)	60,005(11)	—	—
	02/28/07	—	8,900(6)	—	20.40	02/28/14	—	—	—	—
	02/28/07	—	—	—	—	—	—	—	4,300(7)	77,314(10)
	02/28/07	—	—	—	—	—	7,000(9)	125,860(10)	—	—
Paul A. Kennard . . .	02/28/07	—	15,000(6)	—	20.40	02/28/14	—	—	—	—
	02/28/07	—	—	—	—	—	—	—	7,300(7)	131,254(10)
	02/28/07	—	—	—	—	—	15,300(9)	275,094(10)	—	—
	06/25/98	18,750(8)	—	—	29.00	06/25/08	—	—	—	—
	10/19/98	31(8)	—	—	11.75	10/19/08	—	—	—	—
	05/03/99	6,250(8)	—	—	48.50	05/03/09	—	—	—	—
	05/09/00	1,309(8)	—	—	120.25	05/09/10	—	—	—	—
	05/09/00	7,441(8)	—	—	120.25	05/09/10	—	—	—	—
	10/22/01	8,750(8)	—	—	24.40	10/22/11	—	—	—	—
	06/28/02	7,036(8)	—	—	8.04	06/28/12	—	—	—	—
	06/28/02	11,713(8)	—	—	8.04	06/28/12	—	—	—	—
	12/20/02	21,250(8)	—	—	8.20	12/20/12	—	—	—	—
	03/30/04	29,688(8)	7,812(6)	—	17.52	03/30/14	—	—	—	—
	06/30/05	12,500(3)	—	—	6.88	06/30/15	—	—	—	—
	06/06/06	10,000(3)	20,000(6)	—	16.04	06/06/16	—	—	—	—

		Option Awards					Stock Awards			
Name	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 ($)
Stephen J. Gilmore . .	08/25/06	—	3,200(1)	—	43.82	08/25/13	—	—	—	—
	08/26/05	1,800(3)	1,800(2)	—	37.19	08/26/12	—	—	—	—
	06/27/05	1,500(3)	500(2)	—	30.88	06/27/12	—	—	—	—
	08/27/04	1,500(3)	500(2)	—	24.00	08/27/11	—	—	—	—
	09/17/03	2,400(3)	—	—	17.60	09/17/13	—	—	—	—
	09/27/02	2,200(3)	—	—	16.70	09/27/12	—	—	—	—
	09/26/01	3,000(3)	—	—	14.60	09/26/11	—	—	—	—
	10/06/00	4,000(3)	—	—	12.66	10/06/10	—	—	—	—
	08/27/99	2,204(3)	—	—	12.36	08/27/09	—	—	—	—
	08/28/98	2,204(3)	—	—	15.45	08/28/08	—	—	—	—
	08/25/06	—	—	—	—	—	800(4)	43,640(11)	—	—
	08/26/05	—	—	—	—	—	900(5)	49,095(11)	—	—
	02/28/07	—	7,100(6)	—	20.40	02/28/14	—	—	—	—
	02/28/07	—	—	—	—	—	—	—	3,400(7)	61,132(10)
	02/28/07	—	—	—	—	—	9,100(9)	163,618(10)	—	—

Note: All awards granted prior to January 26, 2007 relate to Harris common stock.

(1) 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 option is for Harris common stock.

(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. The option is for Harris common stock.

(3) These options are fully vested for Harris common stock.

(4) Restricted stock that vest, if at all, only in full on the third anniversary of the grant date, or August 25, 2009. The award is for Harris common stock.

(5) Restricted stock that vests if at all, only in full on the third anniversary of the grant date, or August 26, 2008. The award is for Harris common stock.

(6) 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.

(7) Performance share vesting may begin at 90 percent of the applicable business target and reaches maximum payout at financial performance above 120 percent of the operations of the applicable business target. Fifty percent of the award is tied to achieving pro forma net income targets and the remaining 50 percent is tied to achieving cash flow from operations targets. Currently, performance shares have not vested for any officer since this is a 30-month plan ending on June 26, 2009, except for Mr. Campbell, whose performance shares vest in an 18-month time frame, or on June 27, 2008.

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

(9) Restricted stock that vests if at all, only in full on the third anniversary of the grant date, or February 28, 2010.

(10) Market value is based on the closing sales price of a share of Class A common stock of $17.98 on June 29, 2007, as reported on the NASDAQ Global Market.

(11) Market value is based on the closing sales price of a share of Harris common stock of $54.55 on June 29, 2007, as reported by the New York Stock Exchange.

Option Exercises and Stock Vested in Fiscal 2007

The following table provides information for each of our named executive officers regarding (1) Harris stock option exercises during fiscal 2007, including the number of Harris shares acquired upon exercise and the value realized and (2) the number of Harris shares acquired upon the vesting of stock awards during fiscal 2007. No options to purchase Class A common stock were exercised and no stock awards were granted by us vested during fiscal 2007.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise(1) ($)	Number of Shares Acquired on Vesting (#)	Value Received on Vesting(2) ($)
Guy M. Campbell	30,000	1,054,200	42,000	1,988,400
Sarah A. Dudash	1,542	60,036	—	—
John W. Koenig	14,600	465,926	3,000	176,850
Stephen J. Gilmore	2,000	80,147	—	—

(1) All options exercised and all vesting of stock awards related to Harris options and awards.

(2) Amount shown is the aggregate market value of the Harris vested shares of restricted stock on the vesting date.

Equity Compensation Plan Summary

The following table provides information as of June 29, 2007, relating to our equity compensation plan pursuant to which grants of options, restricted stock and performance shares may be granted from time to time by us and information relating to the option plans and agreements assumed by us in connection with the merger with Stratex:

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 First Column)
Equity Compensation plan approved by security holders(2)	606,722	$20.15	4,393,278
Equity Compensation plans not approved by security holders(3)	2,904,516	$23.08	—

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

(2) Consists solely of our 2007 Stock Equity Plan.

(3) Consists of shares of Class A common stock that may be issued pursuant to option plans and agreements assumed by us in our merger with Stratex. The Stratex plans were approved by the former stockholders of Stratex. No shares are available for further issuance under any of the assumed equity plans.

Non-Qualified Deferred Compensation Earnings

Our named executive officers formerly employed by MCD participated in the Harris Supplemental Executive Retirement Plan ("SERP") prior to our merger with Stratex. Contributions by our named executive officers and

Harris to this plan were discontinued on January 26, 2007. The following table provides summary information with respect to amounts credited, earnings and account balances for our named executive officers under the Harris SERP.

Name	Executive Contributions in Last FY(1) ($)	Registrant Contributions in Last FY(2) ($)	Aggregate Earnings in Last FY(3) ($)	Aggregate Withdrawals/ Distributions(4) ($)	Aggregate Balance at Last FYE(5) ($)
Guy M. Campbell	61,739	74,105	73,122	—	468,559
Sarah A. Dudash	—	3,043	270	3,313	—
John W. Koenig	5,066	16,539	11,930	—	76,683
Paul A. Kennard	—	—	—	—	—
Stephen J. Gilmore	8,153	4,520	4,376	—	27,317
Thomas H. Waechter	—	—	—	—	—

(1) Amounts represent contributions by the named executive officers under the Harris SERP. These amounts are included in the "Salary" column of the Summary Compensation Table.

(2) Amount matched by Harris under the Supplemental Executive Retirement Plan. These amounts are included in the "All Other Compensation" column of the Summary Compensation Table. Contributions made by Harris in fiscal 2007 include profit sharing payments contributed by Harris in September 2006 in respect of fiscal 2006 performance.

(3) Earnings are calculated using the daily market activity on each investment fund.

(4) Ms. Dudash received $3,313 in the form of a lump sum distribution.

(5) Represents balances from the Harris SERP and includes various amounts previously reported in the as "Salary" or "All Other Compensation."

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 June 29, 2007 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 termination of employment by us for cause or voluntary termination. In the event of death, the only compensation and benefits payable to any of the named executive officers would be in the form of accelerated equity vesting of Harris stock options and Harris restricted stock. As of June 29, 2007, the fair value of accelerated equity vesting of Harris awards in the event of death would be $1,225,126 for Mr. Campbell, $452,252 for Ms. Dudash, $354,188 for Mr. Koenig and $185,429 for Mr. Gilmore. 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)($)	Total ($)
Guy M. Campbell	Termination without cause or for good reason, or due to disability.	30	41,667	1,250,010	500,000	1,750,010	—	24,450	30,000	1,804,460
	Within 18 months after Change of Control	42	41,667	1,750,014	500,000	2,250,014	415,338	34,230	30,000	2,729,582
Sarah A. Dudash	Termination without cause or for good reason, or due to disability	12	20,000	240,000	132,000	372,000	—	15,420	30,000	417,420
	Within 18 months after Change of Control	24	20,000	480,000	132,000	612,000	368,590	30,840	30,000	1,041,430
John W. Koenig	Termination without cause or for good reason, or due to disability	12	19,583	234,996	105,750	340,746	—	15,420	30,000	386,166
	Within 18 months after Change of Control	24	19,583	469,992	105,750	575,742	203,174	30,840	30,000	839,756
Paul A. Kennard	Termination without cause or for good reason, or due to disability	12	26,167	314,004	188,400	502,404	—	14,112	30,000	546,516
	Within 18 months after Change of Control	24	26,167	628,008	188,400	816,408	804,500	28,224	30,000	1,679,132
Stephen J. Gilmore . . .	Termination without cause or for good reason, or due to disability	12	15,667	188,004	84,600	272,604	—	9,828	30,000	312,432
	Within 18 months after Change of Control	24	15,667	376,008	84,600	460,608	224,750	19,656	30,000	735,014

(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 June 29, 2007.

(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.

Our employment agreement with Mr. Guy M. Campbell, our President and Chief Executive Officer, includes the following provisions:

If he is terminated without cause or should he resign for good reason and he signs a general release he will be entitled to receive the following severance benefits:

- severance payments at his final base salary for a period of 30 months following his termination;
- payment of premiums necessary to continue his group health insurance under COBRA until the earlier of a. the date on which he reaches the age of 65; or b. the date on which he first becomes eligible to participate in another employer's group health insurance; or c. the date on which he is no longer eligible for COBRA coverage;

- 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 granted to him will stop vesting as of his termination date; however, he will be entitled to purchase any vested shares of stock that are subject to the outstanding options until the earlier of: 30 months; the date upon which the applicable option(s) expire; and outplacement assistance selected and paid for by the Company.

In addition, the agreement provides that if within 18 months following a Change of Control, Mr. Campbell's employment with us is terminated by us without cause, or Mr. Campbell resigns for good reason following a change of control and he signs a general release of known and unknown claims in a form satisfactory to us, he will be entitled to receive the same severance benefits from us that are described above, except:

- the severance benefits described shall be increased by an additional 12 months;
- he will receive a payment equal to the greater of: (i) the average of the annual incentive bonus payments received by him, if any, for the previous three years; and (ii) his target incentive bonus for the year in which his employment terminates.
- we will also accelerate the vesting of all unvested stock options granted to him by us such that all of his stock options to purchase Class A common stock will be fully vested as of the date of his termination/resignation.

The employment agreements with our named executive officers defines 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) Harris if it beneficially owns more than 50 percent of such total voting power immediately prior to such acquisition, (ii) we, or an Affiliate* who is an Affiliate immediately prior to such acquisition; (iii) an employee benefit plan of ours or any of our Affiliates'; (iv) a trustee or other fiduciary holding securities under an employee benefit plan of our or any of our Affiliates'; or (v) 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

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* For the purposes of Mr. Campbell's agreement, the term "Affiliate" means any corporation, partnership, limited liability company, business trust, or other entity controlling, controlled by or under common control with the Company.

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; or

- 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 all 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 until the earlier of: (a) 12 months, (b) the date on which they first became eligible to participate in another employer's group health insurance; or (c) the date on which they are no longer eligible for COBRA coverage;
- the prorated portion of any incentive bonus they would have earned during the incentive bonus period in which their employment was terminated;
- any stock option(s) 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: (a) 12 months; or (b) 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) granted by us will accelerate, such that all of their stock option(s) 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 2007, and Forms 5 (or any written representations) received with respect to fiscal year 2007, we believe that all directors, officers, executive officers and 10 percent stockholders complied with all applicable Section 16(a) filing requirements during fiscal 2007.

PROPOSAL NO. 1:

ELECTION OF DIRECTORS

At the 2007 Annual Meeting of Stockholders, directors are being nominated for re-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 August 14, 2007, following the recommendation of our Nominating Committee, the Board re-nominated the four Class A director nominees listed below for re-election to serve on the Board following the annual meeting. The Class B directors listed below have been nominated and will be elected by Harris. 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 Class A director nominees listed below, or, in the alternative, mark the box on the enclosed proxy card that indicates the same intent to withhold your vote in favor of any or all of the Class A director nominees listed below, then your proxy will be voted "FOR" the re-election of each of the Class A director nominees listed below.

The Class A 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.

In addition, in the event additional persons are nominated for election as directors (other than the director nominees listed below), the proxy holders intend to vote all proxies received by them for the director nominees listed below.

CLASS A DIRECTORS

Name	Title	Age
Charles D. Kissner	Chairman of the Board	60
William A. Hasler	Director	65
Clifford H. Higgerson	Director	67
Edward F. Thompson	Director	69

Class B directors are nominated and elected by Harris.

CLASS B DIRECTORS

Name	Title	Age
Guy M. Campbell	Director	61
Eric C. Evans	Director	54
Howard L. Lance	Director	51
Dr. Mohsen Sohi	Director	48
Dr. James C. Stoffel	Director	61

VOTE REQUIRED

Assuming the presence of a quorum, 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. Harris has indicated that it intends to be present at the annual meeting and, pursuant to the investor agreement between it and us, to vote all its Class B common shares in favor of these nominees. Harris' presence at the meeting and its vote of its Class B common shares will assure the existence of a quorum and the election of the nominees.

RECOMMENDATION OF THE BOARD OF DIRECTORS

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

PROPOSAL NO. 2:

RATIFICATION 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 June 27, 2008. During fiscal

year 2007, Ernst & Young LLP served as our independent registered public accounting firm and provided certain tax and other audit related services.

Ernst & Young LLP is also the independent registered public accounting firm for Harris, the holder of approximately 56% of our outstanding shares. Our investor agreement with Harris provides that, so long as GAAP requires that our financial statements be included in Harris' consolidated financial statements, we will maintain as our independent registered public accounting firm the same firm as Harris appoints as its independent registered public accounting firm, unless our Audit Committee determines in good faith that the appointment of a different independent registered public accounting firm for us is required by law, regulation or order or that it is in the best interest of our stockholders to do so.

Vote Required

Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending June 27, 2008 requires the affirmative vote of a majority of the shares of our Class A common stock and Class B common stock, voting together, 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. Harris has indicated that it intends to vote all of its Class B common shares in favor of ratifying the appointment. Harris' vote of its Class B common shares will assure the ratification of the appointment.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE COMPANY'S BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE 2008 FISCAL YEAR

OTHER MATTERS

2007 Annual Report

Our annual report for the fiscal year ended June 29, 2007 has been mailed concurrently with the mailing of these proxy materials to all stockholders entitled to notice of, and to vote at, the annual meeting.

Form 10-K

We filed an annual report on Form 10-K for the fiscal year ended June 29, 2007 with the SEC on August 27, 2007. 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 120 Rose Orchard Way, San Jose, California 95134, or through our website at www.harrisstratex.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 enclosed proxy card gives authority to the persons listed on the card to vote at their discretion as to any matter of which we did not receive notice by a reasonable time prior to October 4, 2007, the date on which we sent our proxy materials for the 2007 Annual Meeting of Stockholders.

harris stratex

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 June 29, 2007

or

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

For the transition period from to

Commission File Number 001-33278

HARRIS STRATEX NETWORKS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-5961564**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
637 Davis Drive Morrisville, North Carolina	**27560**
(Address of principal executive offices)	*(Zip Code)*

Annual Report

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

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, par value $0.01 per share	The NASDAQ Stock Market LLC
Class B Common Stock, par value $0.01 per share	None
Warrants	None

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 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, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act (check one):

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer ☑

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 29, 2006, the last business day of our most recently completed second fiscal quarter, our Class A Common Stock was not listed on any exchange or over-the-counter market. Our Class A Common Stock began trading on the NASDAQ Global Market on January 30, 2007. As of June 29, 2007, the aggregate market value of the registrant's Class A Common Stock held by non-affiliates was approximately $450,097,000.

Class of Stock	Shares Outstanding as of August 14, 2007
Class A Common Stock, par value $0.01 per share	25,455,168
Class B Common Stock, par value $0.01 per share	32,913,377
Total shares of common stock outstanding	58,368,545

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Shareholders scheduled to be held November 14, 2007, which will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended June 29, 2007, are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent described therein.

HARRIS STRATEX NETWORKS, INC.

ANNUAL REPORT ON FORM 10-K
For the Fiscal Year Ended June 29, 2007

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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 "believes," "expects," "may," "should," "would," "will," "intends," "plans," "estimates," "anticipates," "projects," "targets," "goals," "seeing," "delivering," "continues," "forecasts," "future," "predict," "might," "could," "potential," or the negative of these terms, and similar words or expressions. 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, 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, and disclaim any obligation to do so.

The following are some of the factors we believe could cause our actual results to differ materially from expected and historical results. Other factors besides those listed here also could adversely affect us, including those in "Item 1A. Risk Factors":

- The recent acquisition of Stratex could be difficult to integrate and we may fail to see the expected synergies between the combined companies.
- We participate in markets that are often subject to uncertain economic conditions, which makes it difficult to estimate growth in our markets and, as a result, future income and expenditures.
- We derive a substantial portion of our revenue from international operations and are subject to the risks of doing business in foreign countries, including fluctuations in foreign currency exchange rates.
- Our future success will depend on our ability to develop new products that achieve market acceptance.
- We cannot predict the consequences of future geo-political events, but they may adversely affect the markets in which we operate, our ability to insure against risks, our operations or our profitability.
- We have made, and may continue to make, strategic acquisitions that involve significant risks and uncertainties, including the diversion of management attention, difficulties in integration and a failure to realize expected synergies between the combined companies.
- The inability of our subcontractors to perform, or our key suppliers to deliver our components or products, could cause our products to be produced in an untimely or unsatisfactory manner.
- Third parties have claimed in the past and may claim in the future that we are infringing upon their intellectual property rights, and third parties may infringe upon our intellectual property rights.
- The outcome of litigation or arbitration in which we are involved is unpredictable and an adverse decision in any such matter could have a material adverse affect on our financial position and results of operations.
- We are subject to customer credit risk.
- Developing new technologies entails significant risks and uncertainties.

- We have significant operations in Florida that could be materially and adversely impacted in the event of a hurricane, and operations in California that could be materially and adversely impacted in the event of an earthquake.
- Changes in our effective tax rate may have an adverse effect on our results of operations.

PART I.

Item 1. *Business.*

Harris Stratex Networks, Inc., together with its subsidiaries, is a leading global independent supplier of turnkey wireless network solutions and comprehensive network management software, backed by an extensive suite of professional services and support. As the market share leader in North America and a top-tier provider in international markets, we offer a broad portfolio of reliable, flexible, scalable and cost-efficient wireless network solutions, based on our innovative microwave radio systems and network management software. We serve all global markets, including mobile network operators, public safety agencies, private network operators, utility and transportation companies, government agencies and broadcasters. Customers in more than 135 countries depend on us to build, expand and upgrade their voice, data and video solutions and we are recognized around the world for innovative, best-in-class solutions and services.

Harris Stratex Networks, Inc. was 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 637 Davis Drive, Morrisville, North Carolina 27560. Our telephone number is (919) 767-3230. Our Internet address is www.harrisstratex.com. Our common stock is listed on the NASDAQ Global Market under the symbol HSTX. On August 1, 2007, we employed approximately 1,440 people. Unless the context otherwise requires, the terms "we," "our," "us," "Company," "HSTX" and "Harris Stratex" as used in this Annual Report on Form 10-K refer to Harris Stratex Networks, Inc. and its subsidiaries.

Acquisition of Stratex Networks, Inc. and Combination with MCD

On January 26, 2007, we completed our merger (the "Stratex acquisition") with Stratex Networks, Inc. ("Stratex") pursuant to a Formation, Contribution and Merger Agreement among Harris Corporation, Stratex, and Stratex Merger Corp., as amended and restated on December 18, 2006 and amended by letter agreement on January 26, 2007. In the transaction, Stratex Merger Corp., a wholly-owned subsidiary of the Company, merged with and into Stratex, with Stratex as the surviving corporation (renamed as "Harris Stratex Networks Operating Corporation"). Concurrently with the merger of Stratex and Stratex Merger Corp. (the "merger"), Harris Corporation contributed the Microwave Communications Division ("MCD"), along with $32.1 million in cash (comprised of $26.9 million contributed on January 26, 2007 and $5.2 million held by the Company's international operating subsidiaries on January 26, 2007) to the Company (the "contribution transaction").

Pursuant to the merger, each share of Stratex common stock was converted into one-fourth of a share of our Class A common stock, and a total of 24,782,153 shares of our Class A common stock were issued to the former holders of Stratex common stock. In the contribution transaction, Harris Corporation contributed the assets of MCD, along with $32.1 million in cash, and in exchange, we assumed certain liabilities of Harris Corporation related to MCD and issued 32,913,377 shares of our Class B common stock to Harris Corporation. As a result of these transactions, Harris Corporation owned approximately 57% and the former Stratex shareholders owned approximately 43% of our total outstanding stock immediately following the closing.

We completed the Stratex acquisition to create a leading global communications solutions company offering end-to-end wireless transmission solutions for mobile and fixed-wireless service providers and private networks.

The Stratex acquisition was accounted for as a purchase business combination. Total consideration paid by us was approximately $493.1 million as summarized in the following table (see Note D to consolidated financial statements):

Calculation of Allocable Purchase Price (In millions):	January 26, 2007
Value of Harris Stratex Networks shares issued to Stratex Networks stockholders	$464.9
Value of Stratex Networks vested options assumed	15.5
Acquisition costs	12.7
Total allocable purchase price	$493.1

Overview of Companies prior to the Business Combination

Stratex Networks, Inc.

Stratex Networks, Inc., formerly known as Digital Microwave Corporation and DMC Stratex Networks, Inc., was incorporated in California in 1984 and reincorporated in Delaware in 1987. In August 2002, Stratex changed its name from DMC Stratex Networks, Inc. to Stratex Networks, Inc. Stratex was a leading provider of innovative wireless transmission solutions to mobile wireless carriers and data access providers around the world. Its solutions also addressed the requirements of fixed wireless carriers, enterprises and government institutions that operate broadband wireless networks. The company designed, manufactured and marketed a broad range of products that offered a wide range of transmission frequencies, ranging from 0.3 to 38 gigahertz ("GHz"), and a wide range of transmission capacities, typically ranging from 64 kilobits per second to 2xOC-3 or 311 megabits per second. In addition to product offerings, the company provided network planning, design and installation services and worked closely with its customers to optimize transmission networks.

Stratex had a long history of introducing innovative products into the telecommunications industry. Its newest product platform, Eclipse™, which began shipping in January 2004, was one of the first wireless transmission platforms to combine a broad range of wireless transmission functions into one network processing node. This node contains many functions that previously had to be purchased separately from one or more equipment suppliers. Eclipse has the flexibility to increase transmission speeds and adjust capacity via software upgrades. It is designed to simplify complex networks and lower the total cost of ownership over the product life.

The sales of all of Stratex product lines were generated primarily through its worldwide direct sales force. The company also generated sales through base station suppliers, distributors and agents. It marketed its products directly to service providers directly, as well as indirectly through relationships with original equipment manufacturer ("OEM") base station suppliers. Overall, Stratex had sold over 300,000 microwave radios prior to its merger with the Company, which have been installed in over 135 countries.

Harris Corporation's Microwave Communications Division

MCD designed, manufactured and sold a broad range of microwave radios for use in worldwide wireless communications networks. Applications included wireless/mobile infrastructure connectivity; secure data networks; public safety transport for state, local and federal government users; and right-of-way connectivity for utilities, pipelines, railroads and industrial companies. In general, wireless networks are constructed using microwave radios and other equipment to connect cell sites, fixed-access facilities, switching systems, land mobile radio systems and other wireless transmission systems. For many applications, microwave systems offer a lower-cost, highly reliable alternative to competing transmission technologies such as fiber, coaxial cable or copper wire systems. MCD's product line spanned frequencies from 2 to 38 GHz and included:

- *The TRuepoint® family of microwave radios.* MCD's next-generation microwave point-to-point radio platform, which provides Synchronous Digital Hierarchy ("SDH") and Plesiochronous Digital Hierarchy ("PDH") in a single platform and is designed to meet the current and future needs of network operators, including mobile, private network, government and access service providers. The unique architecture of the core platform reduces both capital expenditures and life cycle costs, while meeting international and North American standards and regulatory requirements. The software-based architecture enables transition

between traditional microwave access applications and higher-capacity transport interconnections. The wide range of capacities, interfaces, modulation schemes, frequency/channel plans and power levels have been made available to meet the requirements of networks around the world. The TRuepoint product family delivered service from 4 to 180 megabits per second ("Mbps") capacity at frequencies ranging from 6 to 38 GHz;

- The Constellation® medium-to-high-capacity family of point-to-point digital radios, operating in the 6, 7/8 and 10/11 GHz frequencies, designed for network applications and supporting both PDH and Synchronous Optical Network ("SONET"), the standard for digital transport over optical fiber in North American applications. Constellation radios are suited for wireless mobile carriers and private operators, including critical public safety networks; and
- MegaStar® high-capacity, carrier-class digital point-to-point radios, operating in the 5, 6, 7/8 and 11 GHz frequencies and designed to eliminate test equipment requirements, reduce network installation and operation costs, and conform to PDH, SONET and SDH standards.

MCD provided turnkey microwave systems and service capabilities, offering complete network and systems engineering support and services, including planning, design and systems integration, site surveys and builds, deployment, management, training and customer service — the full range of services being a key competitive discriminator for MCD in the microwave radio industry.

MCD also offered a comprehensive network management system. Its NetBoss® integrated network management platform supports wireless, wireline and Internet service providers. NetBoss offers fault management, performance management, service activation, billing mediation and Operational Support System ("OSS") integration in a modular, off-the-shelf solution designed for rapid deployment. The modularity of NetBoss enables customers to implement a comprehensive set of capabilities immediately or gradually, as their needs dictate. The newest offering in this product family is NetBoss EM, an element manager.

Principal customers for MCD's products and services included domestic and international wireless/mobile service providers, original equipment manufacturers, as well as private network users such as public safety agencies, utilities, pipelines, railroads and other industrial enterprises. In general, MCD's North American products and services were sold directly to customers through its sales organizations and established distribution channels. Internationally, MCD marketed and sold its products and services through regional sales offices and established distribution channels.

Overview of Integrated Company after the Business Combination

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. Products include point-to-point digital microwave radio systems for mobile system access, backhaul, trunking and license-exempt applications, supporting new network deployments, network expansion, and capacity upgrades. We offer a broad range of products, including the products developed and sold by both Stratex and MCD. We deliver our products and services through three reportable business segments: North America Microwave, International Microwave and Network Operations. Network Operations serves all markets worldwide. Revenue and other financial information regarding our business segments is set forth on pages 39-41 of this Annual Report on Form 10-K.

North America Microwave

The North America Microwave segment delivers microwave radio products and services to major national carriers and other cellular network operators, public safety operators and other government agencies, systems integrators, transportation and utility companies, and other private network operators within North America. A large part of our North American business is with the cellular backhaul and public safety segments.

Historically, and prior to the merger of Stratex and Harris MCD, the North America Microwave segment accounted for the most significant portion of our revenue. Because substantially all of Stratex's revenue was in international markets, our North America segment revenue declined to approximately 43% of our total revenue for

fiscal 2007. We generally sell products and services directly to our customers. We use distributors to sell some products and services.

International Microwave

The International Microwave segment delivers microwave radio products and services to regional and national carriers and other cellular network operators, public safety operators, 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 is in supplying wireless segments in small-pocket, remote, rural and metropolitan areas. High-capacity backhaul is another major opportunity for us. We see the increase in subscriber density and the forecasted growth and introduction of new bandwidth-hungry 3G services as major drivers for growth is this market.

Our International Microwave segment represented approximately 53% of our revenue for fiscal 2007. The addition of Stratex business contributes significantly to our International Microwave segment, since approximately 95% of Stratex's historical revenue was in international markets. We generally sell products and services directly to our customers. We use agents and distributors to sell some products and services in international markets.

Network Operations

The Network Operations segment offers a wide range of software-based network management solutions for network operators worldwide, from element management to turnkey, end-to-end network management and service assurance solutions for virtually any type of communications or information network — including broadband, wireline, wireless and converged networks. The NetBoss product line develops, designs, produces, sells and services network management systems for these applications. Other element management product families include ProVision® and StarView™.

Our Network Operations segment represented approximately 4% of our revenue for fiscal 2007. We generally sell products and services directly to our customers. We use agents, resellers and distributors to sell some products and services in international markets.

Industry Background

Wireless transmission networks are constructed using microwave radios and other equipment to connect cell sites, switching systems, wireline transmission systems and other fixed access facilities. Wireless networks range in size from a single transmission link connecting two buildings to complex networks comprising of thousands of wireless connections. 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.

There has been an increase in the capital spending in the wireless telecommunications industry in recent years. The demand for high-speed wireless transmission products has been growing at a slightly 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:

- *Increase in global wireless subscribers and minutes of use.* The number of global wireless subscribers and minutes of use per subscriber are expected to continue to increase. The primary drivers include increased subscription, increased voice minutes of use per subscriber and the growing use by subscribers of data applications. Third generation, or "3G," data applications have been introduced in developed countries and this has fueled an increase in minutes of data use. We believe that growth as a result of new data services will continue for the next several years.

- *Increased establishment of mobile and fixed wireless telecommunications infrastructures in developing countries.* In parts of the world, telecommunications services are inadequate or unreliable because of the lack of existing infrastructures. 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.

- *Technological advances, particularly in the wireless telecommunications market.* The demand for cellular telephone and other wireless services and devices continues to increase due to technological advances and increasing consumer demand for connectivity to data and voice services. New mobile-based services based upon third-generation wireless technology is also creating additional demand and growth in mobile networks and their associated infrastructure. The demand for fixed broadband access networks has also increased due to data transmission requirements resulting from Internet access demand. Similar to cellular telephone networks, wireless broadband access is typically less expensive to install and can be installed more rapidly than a wireline or fiber alternative. New and emerging services such as WiMAX are expected to expand over the next several years. Both WiMAX and new high-speed mobile-based technology can be used for a number of applications, including "last mile" broadband connections, hotspots and cellular backhaul, and high-speed enterprise connectivity for business.

- *Global deregulation of telecommunications market and allocation of radio frequencies for broadband wireless access.* Regulatory authorities in different jurisdictions allocate different portions of the radio frequency spectrum for various telecommunications services. Many countries have privatized the state-owned telecommunications monopoly and 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.

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

- Continuing fixed-line to mobile-line substitution;

- 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;

- Continuing global mobile operator consolidation; and

- An FCC network initiative in the U.S. The FCC has allocated 90 megahertz ("MHz") of spectrum to Advanced Wireless Services ("AWS") — 45 MHz in the 1710-1755 MHz (government) band and 45 MHz in the 2110-2155 MHz (commercial) band. Operators and federal agencies currently using these frequencies must move to another frequency to allow new entrants to use these frequencies for networks that deliver AWS services. This is a large opportunity for wireless transmission solution providers with extensive experience with frequency moves, as is the case with Harris Stratex Networks.

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

Our objective is to enhance our position as a leading provider of innovative, high-value wireless transmission solutions for the worldwide mobile, network interconnection and broadband access markets. To achieve this objective, our strategy is to:

- *Continue to serve our existing customer base.* As a combined company, we have sold more than 750,000 microwave radios in over 135 countries. Today, our sales are distributed about evenly between the United States and international markets, with the international segment growing at a faster rate. We intend to leverage our customer base, our longstanding presence in many countries, our distribution channels, our comprehensive product line and our turnkey solution capability to continue to sell existing and new products and services to current customers.

- *Continue to grow our North America business.* The North American market has been a traditional stronghold for MCD, and Harris Stratex Networks continues to be a clear leader in the U.S. wireless transmission market. We plan to continue our growth and leadership with innovative TRuepoint solutions for cellular backhaul, public safety, government, utilities, transportation and other market segments. Eclipse will play a growing role in cellular backhaul and in carrier Ethernet, a new type of networking using data links for all types of carrier services, including voice.

- *Continue to grow our international business.* We believe we are well-positioned to take advantage of worldwide market opportunities for wireless infrastructure to significantly grow our international business. We have a strong presence in Africa, as well as Europe, the Middle East and Russia, ("EMER") and a growing presence in the Asia-Pacific region and South America. We plan to pursue opportunities in high-growth markets in all of these regions, leveraging our innovative products, full turnkey solution capability and professional services. Our new international headquarters in the Republic of Singapore ("Singapore ") is now in operation as a base for our international business and a sales and service hub for the Asia-Pacific region, reflecting and supporting our growing focus on international markets.

- *Continue to introduce innovative products that meet the needs of our customers.* We have a long history of introducing innovative products into the telecommunications industry. Both Eclipse and TRuepoint offer high-value solutions to virtually every type of service provider or network operator. Eclipse offers a flexible, cost-efficient nodal solution that reduces external equipment requirements, while TRuepoint offers flexible, high-performance, high-reliability wireless networking for all global capacity and frequency requirements.

- *Expand existing markets and explore new market opportunities.* We intend to expand our presence in the mobile wireless market by exploiting market opportunities created by the growing number of global wireless subscribers, increasing global minutes of use, the continuing emergence of new services and the commitment of developing nations around the world to expand national infrastructure to all population areas via cost-efficient, rapidly installed microwave radio networks. We also intend to expand our market share in the emerging data business. In particular, carrier-grade Ethernet market opportunities are starting to emerge and Eclipse is ideally suited to meet those needs.

- *Offer complete turnkey solutions.* We plan to continue leveraging more than eight decades of microwave experience in the combined companies to offer industry-leading professional services, from network planning to site builds, system deployment and network monitoring.

- *Deliver superior customer service.* We intend to keep improving our industry-leading customer service organization to maximize our customers' satisfaction with our solutions and loyalty to us as a solution provider.

Solutions

Our solutions are designed to meet the various regional, operational and licensing needs of our wireless transmission customers. We provide turnkey microwave systems and service capabilities, offering complete civil

engineering, network and systems engineering support and services — a key competitive differentiator for Harris Stratex Networks in the microwave radio industry. Our solutions offer the following benefits:

- *Broad product and solution portfolio.* We offer a comprehensive line of wireless transmission solutions, consisting of various combinations of microwave digital radios, integrated ancillary equipment from Harris Stratex Networks or other manufacturers, network management systems and professional services. These solutions address a wide range of transmission frequencies, ranging from 2 to 38 GHz, and a wide range of transmission capacities, ranging from 64 kilobits per second to 311 megabits per second. Major product families include Eclipse, TRuepoint, MegaStar, Constellation, Aurora™, Velox LE™, NetBoss and ProVision.

- *Low total cost of ownership.* Compared to prior-generation products, both Eclipse and TRuepoint offer a relatively low total cost of ownership, based on the combined costs of initial acquisition, installation and ongoing operation and maintenance. Multiple factors work to reduce cost of ownership. Both platforms reduce rack space and spare parts requirements. Installation, operation, upgrade and maintenance costs are also lower because of automated or simplified procedures and the smaller number of parts required to obtain the same functionality as previous generations. Products in both platforms have a longer life.

- *Future-proof network.* Eclipse and TRuepoint are designed to future-proof the network operator's investment, via software-configurable capacity upgrades and plug-in modules that provide an easy migration path to emerging technologies, such as Internet Protocol ("IP")-based networking.

- *Flexible, easily configurable products.* We intend to continue using standard design platforms, flexible architectures and chip designs and software configurable features. This design and manufacturing strategy allows us to offer our customers high-performance products with a high degree of flexibility and functionality, while shortening the time required for us to develop new configurations and capabilities. The software features of our products give our customers a greater degree of flexibility in installing, operating and maintaining their networks. Both Eclipse and TRuepoint are highly scalable and easily configurable through software, giving operators the ability to adapt to changing conditions with minimal cost and disruption and making it easier for them to plan and deploy 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 — all optimized to work with Harris Stratex Networks' wireless transmission systems. NetBoss is also offered as a stand-alone solution for a wide range of communications and information networking environments in virtually any industry.

- *Complete professional services.* In addition to our product offerings, we provide expert 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.

Product Portfolio

We offer a comprehensive product 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 licensed (subject to local frequency licensing) and license-exempt (operating in license-exempt frequencies) point-to-point microwave radios and network management software.

Licensed Point-to-Point Microwave Radios

In general, wireless networks are constructed using microwave radios and other equipment to connect cell sites, fixed-access facilities, switching systems, land mobile radio systems and other communications systems. For many applications, microwave systems offer a lower-cost, highly reliable and more easily deployable alternative to competing wireline transmission media, such as fiber, copper or coaxial cable.

Our principal product families of licensed point-to-point microwave radios include Eclipse, a platform for nodal wireless transmission systems and TRuepoint, a platform for high-performance point-to-point wireless communications. Constellation and MegaStar continue to be significant product families used for high-capacity trunking applications both in U.S. and international markets.

Eclipse

Eclipse combines wireless transmission functions with network processing node functions, including many functions that, for non-nodal products, would have to be purchased separately. Each Eclipse Intelligent Node Unit ("INU") is a complete network node, able to support multiple radio paths. System functions include voice, data and video transport, node management, multiplexing, routing and cross-connection. Eclipse is designed to simplify complex networks and lower the total cost of ownership over the product life. We believe that these are significant innovations that address the needs of a broad range of customers.

With frequency coverage from 5 to 38 GHz, low-to-high capacity operation and traditional TDM and Ethernet transmission capabilities, Eclipse is designed to support a wide range of long and short haul applications. In fiscal year 2006, Eclipse added carrier-grade Ethernet support via Ethernet plug-in cards. Eclipse is software-configurable, enabling easy capacity upgrades, and gives users the ability to plan and deploy networks and adapt to changing conditions at minimum cost and disruption. It requires fewer parts and spares and less rack space than previous-generation product platforms.

TRuepoint

Our TRuepoint product family offers full plug-and-play, software-programmable microwave radio configuration. It delivers service from 4 to 180 megabits per second capacity at frequencies ranging from 6 to 38 GHz. TRuepoint is designed to meet the current and future needs of network operators, including mobile, private network, government and access service providers. The unique architecture of the core platform reduces both capital expenditures and life cycle costs, while meeting international and North American standards. The software-based architecture enables migration from traditional microwave access applications to higher-capacity transport interconnections.

The TRuepoint family continues our tradition of high-performance, high-reliability wireless networking. The TRuepoint 5000 provides full-featured access, backhaul and mid-capacity trunking. Currently in development and due for release in fiscal 2008, the TRuepoint 6000 provides very-high-capacity trunking and software-programmable features in an advanced architecture. TRuepoint reduces cost of deployment through smaller antenna requirements, increased transmission distance, and fewer repeater sites. It also reduces operating costs through high reliability, efficient diagnostics and network management, reduced real estate requirements, low power consumption and reduced spare parts and training requirements.

Constellation

Our Constellation family of medium-to-high-capacity point-to-point digital radios operates in the 6, 7/8 and 10/11 GHz frequencies, which are designed for network applications and support both PDH, the standard for high-speed networking in North American and international markets, and SONET, the standard for digital transport over optical fiber in North American applications. Constellation radios are suited for wireless mobile carriers and private operators, including critical public safety networks.

MegaStar

Our MegaStar family of very-high-capacity, N for 1, carrier-class digital point-to-point radios operates in the 5, 6, 7/8 and 11 GHz frequencies. MegaStar radios are designed to eliminate test equipment requirements, reduce network installation and operation costs, and conform to PDH, SONET and SDH standards.

License-Exempt Point-to-Point Microwave Radios

Harris Stratex Networks offers two license-exempt product families — Aurora and Velox LE. Both provide wireless interconnection for wireless access, cellular backhaul, Internet service, local and wide area networking and emergency response communications systems. Both enable network operators to deploy wireless transmission systems rapidly, reliably and cost-efficiently, while avoiding costly, time-consuming frequency coordination and licensing.

Velox LE

Velox LE license-exempt radios operate in the 2.4 and 5.8 GHz license-exempt frequency bands and offer wireless service in 1, 2, 4 or 8 T1/E1 configurations. Velox LE provides support for high-speed data and voice.

Network Management

Our network management product families include NetBoss, ProVision and StarView. These product families offer a broad set of choices for all levels of network management, from enterprise-wide management and service assurance to element management.

NetBoss

NetBoss is a family of network management and service assurance solutions for managing multi-vendor, multi-technology communications networks. It offers high performance, availability, scalability and flexibility, and is designed to manage complex and demanding networks, including networks built on advanced next-generation technologies.

NetBoss supports wireless and wireline networks of many types, offering fault management, performance management, service activation and assurance, billing mediation and OSS integration. As a modular, off-the-shelf product, it enables customers to implement management systems immediately or gradually, as their needs dictate. NetBoss XE offers advanced element management. NetBoss products are optimized to work seamlessly with Harris Stratex Networks digital microwave radios, such as the TRuepoint family, but can also be customized to manage products based on any network or computing technology.

ProVision

The ProVision element manager is a centralized network monitoring and control system optimized for Eclipse and TRuepoint products. Available as a Windows or UNIX-based platform, it can support small network systems as well as large networks of up to 1,000 radio links. The ProVision management system is built on open standards, and seamlessly integrates into higher-level system management products through commonly available interfaces.

StarView

StarView provides comprehensive element management for Harris Stratex Networks and other microwave radio products based on the SNMP protocol. It can manage almost any network topology.

Business Factors

A number of business factors support or affect our overall performance, including sales, marketing and service, manufacturing, order backlog, customer base, our competition, research, development and engineering, patents and intellectual property, regulatory, supply chain and environmental issues and our employee base.

Sales, Marketing 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; Mexico, Argentina and Brazil in Central and

South America; Croatia, France, Germany, Poland, Portugal and the United Kingdom in Europe; Kenya, Nigeria and South Africa in Africa; the United Arab Emirates in the Middle East; and Bangladesh, China, 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 OEM base station suppliers. 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.

Our sales personnel are highly trained to provide customers with assistance in selecting and configuring a digital microwave transmission system suitable for a customer's particular needs. We have repair and service centers in India, New Zealand, the Philippines, the United Kingdom and the United States. In addition, we opened our international headquarters in Singapore on June 20, 2007, with plans to provide 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. We generally offer a conditional warranty for all customers on all of our products.

Manufacturing

We employ a dual strategy of manufacturing our own products and using outsourced contract manufacturers. Some products, such as TRuepoint, Constellation and MegaStar, are manufactured at our facilities in San Antonio, Texas and the People's Republic of China. For Eclipse products, we have outsourced the majority of our manufacturing operations to Benchmark Electronics ("Benchmark") in Thailand, Microelectronics Technology Inc. ("MTI") in Taiwan and China and to GPC Electronics in Australia. We have retained product design and research and development functions for all of our products.

Although we outsource Eclipse product manufacturing, we maintain manufacturing support facilities in San Jose, California and Wellington, New Zealand, mainly focused on system testing and quality management. Our manufacturing operations have been certified to International Standards Organization ("ISO") 9001, a recognized international quality standard. We have also been certified to the TL 9000 standard, a telecommunication industry-specific quality system standard.

Backlog

The backlog of unfilled orders was $232 million at July 27, 2007, compared with $164 million at July 28, 2006. Substantially all of this backlog is expected to be filled during fiscal 2008, but we can give no assurance of such fulfillment. Our backlog at July 27, 2007 includes $68 million from our Stratex acquisition. 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.

Customers

Principal customers for our products and services include domestic and international wireless/mobile service providers, original equipment manufacturers, 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 2006, but not during fiscal 2007 or fiscal 2005. During fiscal 2006, VMobile Nigeria accounted for 15.1% of total revenue. 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. 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.

In general, our North American products and services are sold directly to customers through direct sales organizations and through established distribution channels. Internationally, we market and sell products and services through regional sales offices and established distribution channels. We also sell our products to agents, distributors and base station suppliers, who provide and install integrated systems to service providers.

Non-U.S. Business

Our revenue in fiscal 2007 from products exported from the U.S. or manufactured abroad was $339.2 million (67% of our revenue), compared with $196.8 million (55% of our revenue) in fiscal 2006 and $157.4 million (51% of our revenue) in fiscal 2005. These sales include both direct exports from the U.S. and sales from international subsidiaries. Most of these sales are derived from our International Microwave segment. Direct export sales are primarily denominated in U.S. dollars, whereas sales from international subsidiaries are generally denominated in the local currency of the subsidiary. Exports from the U.S., principally to Africa, Canada, Europe, Asia and South and Central America, totaled $214.3 million (63% of our non-U.S. revenue) in fiscal 2007, $85.1 million (43% of our non-U.S. revenue) in fiscal 2006 and $49.8 million (32% of our non-U.S. revenue) in fiscal 2005. Operations conducted in local international currencies represented 19% of our revenue in fiscal 2007, 20% of our revenue in fiscal 2006 and 34% of our revenue in fiscal 2005. Non-U.S. operations represented 61% of our long-lived assets as of June 29, 2007 and 57% of long-lived assets as of June 30, 2006.

Non-U.S. marketing activities are conducted 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, both domestically and 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. During fiscal 2007, revenue from indirect sales channels represented 11% of our total revenue and 16% of our non-U.S. revenue, compared to revenue from indirect sales channels in fiscal 2006 representing 5% of our total revenue and 6% of our non-U.S. revenue.

Fiscal 2007 revenue came from customers in a large number of international countries. Other than Nigeria, 10.9%, and Canada, 7.8%, no single country accounted for 5% or more of our total revenue. Most of our exports are paid for by letters of credit, with the balance carried either on an open account or installment note basis. Advance payments, progress payments or other similar payments received prior to, or upon shipment often cover most of the related costs incurred. In addition, significant international government contracts generally require us to provide performance guarantees. In order to stay competitive in international markets, we also enter into recourse and vendor financing to facilitate sales to certain customers.

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 and is extremely competitive. We operate in highly competitive markets that are sensitive to technological advances. Some of our competitors have more extensive engineering, manufacturing and marketing capabilities and greater financial, technical and personnel resources than we have. 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. Although successful product and systems development is not necessarily dependent on substantial financial resources, many of our competitors are 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 such as us.

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 our network and systems engineering support and service are key competitive strengths for us. However, customers may make decisions based on factors including price and past relationships.

Our principal existing and potential competitors include established companies such as Alcatel-Lucent, Eltek ASA, Ericsson, NEC and Nokia Siemens Networks, as well as a number of other smaller public and private companies in selected markets. Several of our competitors are original equipment manufacturers or systems integrators through which we sometimes distribute and sell products and services to end users. Some of our competitors have product lines that compete with ours.

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.

Our research, development and engineering expenditures totaled approximately $39.4 million or 7.8% of revenue in fiscal 2007 and $28.8 million or 8.1% of revenue in fiscal 2006.

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 TRuepoint, Eclipse and NetBoss product lines.

We maintain an engineering and new product development department, with scientific assistance provided by advanced-technology departments. As of June 29, 2007, we employed a total of approximately 225 people in our research and development organizations in Morrisville, North Carolina; San Jose, California; Wellington, New Zealand; and Montreal, Canada.

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 June 29, 2007, we held 93 U.S. patents and 70 international patents, and had 35 U.S. patent applications pending and 59 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 may 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, 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.

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 defend vigorously 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 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.

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.

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.

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 high technical nature of many of our purchased components.

Employees

As of June 29, 2007, we employed approximately 1,440 people, compared with approximately 1,050 people at the end of fiscal 2006. The increase was due primarily to the Stratex acquisition (Stratex employed 453 people as of March 2006), partially offset by positions eliminated in our restructuring activities. Approximately 800 of our employees are located in the U.S. We also utilize a number of independent contractors. None of our employees in the U.S. is 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 Harris Stratex Networks Reports; Available Information

General. We maintain an Internet Web site at http://www.harrisstratex.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").

We will also provide the reports in electronic or paper form free of charge upon request. Our Web site and the information posted thereon are not incorporated into this Annual Report on Form 10-K or any other report that we file with or furnish to the SEC. 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."

Corporate Governance Principles and Committee Charters. We have adopted Corporate Governance Principles, which are available on the Corporate Governance section of our Web site at http://www.harrisstratex.com/cg/default.asp. In addition, the charters of each committee of our Board of Directors, including the Compensation Committee, Nominating Committee, Audit Committee and Corporate Governance Committee, are also available on the Corporate Governance section of our Web site. Copies of these charters are also available free of charge upon written request to our Corporate Secretary at Harris Stratex Networks, Inc., 637 Davis Drive, Morrisville, North Carolina 27560.

Harris Stratex Networks, Inc. was incorporated in the State of Delaware in October, 2006.

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

As indicated above in this Annual Report on Form 10-K under "Cautionary Statement Regarding 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; new products, services or developments; trends in revenue; future economic conditions, performance or outlook; the outcome of contingencies; the value of our contract awards; beliefs or expectations; and assumptions underlying any of the foregoing. These statements reflect the current beliefs, expectations, estimates, forecasts or intent of our management and are subject to and involve certain risks and uncertainties. Many of these risks and uncertainties are outside of our control and are difficult for us to forecast or mitigate. 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.

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.

Risks Related to our Merger with Stratex

Our merger with Stratex created numerous risks and uncertainties which could adversely affect our operating results.

Strategic transactions like our merger with Stratex create numerous uncertainties and risks. Harris MCD has transitioned from being a division of Harris to being a stand-alone company, Harris Stratex. Both Stratex and Harris MCD are transitioning from being smaller companies to being a larger company, Harris Stratex. This merger entails many changes, including the integration of personnel from Harris MCD and Stratex and changes in systems and employee benefits plans. These transition activities are complex, and we may encounter unexpected difficulties or incur unexpected costs, including:

- the diversion of management's attention to integration matters;
- difficulties in achieving expected cost savings associated with the transaction;
- difficulties in the integration of operations and systems;
- difficulties in the assimilation of employees;
- difficulties in replacing the support functions currently provided by Harris to us, including support and assistance for financial, operational and information technology functions;
- challenges in keeping existing customers and obtaining new customers; and
- challenges in attracting and retaining key personnel.

As a result, we may not be able to realize the expected revenue growth and other benefits that we seek to achieve from the combination with Stratex. In addition, we may be required to spend additional time or money on integration that otherwise would be spent on the development and expansion of our business, production and services.

Uncertainties associated with the merger may cause us to lose significant customers.

In response to our merger with Stratex, or due to the diversion of our attention, current and potential customers may delay or defer decisions concerning their use of our products and services. We have not experienced significant contract terminations or other loss of business due to the merger. However, if our customers elect to terminate their contracts, the financial condition of the combined company may be materially and adversely affected.

Loss of key personnel could lead to loss of customers and a decline in revenue, or otherwise adversely affect our operations.

The success of the merger will depend in part upon our ability to retain key employees. Competition for qualified personnel in the microwave communications industry is intense. In addition, key employees may depart because of issues relating to the difficulty of or uncertainty regarding the integration of the businesses or because of uncertainties relating to their future compensation and benefits. If we are unable to attract and retain qualified individuals or if our costs to do so increase significantly, our business could be adversely affected.

Risks Related to the Relationship between Harris and Us

We are and will continue to be controlled by Harris, whose interests may conflict with ours.

Harris owns no shares of our Class A common stock but all of the outstanding shares of our Class B common stock, through which it holds an approximate 57% interest of our outstanding equity which gives it approximately 57% of the voting power represented by our outstanding common stock. In addition, Harris has the right to appoint separately, as a class, five of our nine directors as long as the shares of our common stock held by Harris entitle Harris to cast a majority of the votes at an election of our directors (other than those directors appointed by Harris separately as a class). Harris also votes, along with our Class A stockholder, in the election of the four remaining directors, and as the holder of approximately 57% of our outstanding common shares holds a majority of the shares eligible to vote. In the election of the four remaining directors, Harris has agreed to vote for the persons nominated for such positions by our Nominating Committee, which is composed entirely of directors not appointed by Harris. For two years from January 26, 2007, Harris has agreed that it will not acquire or dispose of beneficial ownership in shares of our common stock, except under limited circumstances, and has no obligation to dispose of its interest in us following such two-year period. Accordingly, Harris is likely to continue to exercise significant influence over our business policies and affairs, including the composition of our board of directors and any action requiring the approval of our shareholders. The concentration of ownership also may make some transactions, including mergers or other changes in control, more difficult or impossible without the support of Harris. Harris interests may conflict with your interests as a shareholder. As a result, your ability to influence the outcome of matters requiring shareholder approval will be limited.

As the only holder of our outstanding Class B common stock, Harris has the unilateral right to elect, remove and replace, at any time, a majority of our board of directors, so long as the members elected, removed or replaced by Harris satisfy the requirements agreed to by the Company and Harris as set forth in an investor agreement entered into at the time of the Stratex acquisition. More specifically, Harris has agreed that, so long as it holds a majority of our voting common stock, it will have the right to appoint five of our nine directors and, until January 26, 2009, at least one of the Harris directors will meet the NASDAQ independence standards for audit committee members and at least one other Harris director will not be an employee of Harris or any of its subsidiaries (other than Harris Stratex or our subsidiaries). After January 26, 2009, Harris will be able to elect or replace all the Harris directors without regard to their relationship with Harris.

Harris has rights reflecting its controlling interest in our company. As a result, the ability of non-Harris stockholders to influence the outcome of matters requiring stockholder approval will be limited.

Harris' right to vote a majority of our outstanding voting stock enables it to control decisions without the consent of our other stockholders, including among others, with respect to:

- our business direction and policies;
- mergers or other business combinations, except until January 26, 2009;
- the acquisition or disposition of assets;
- the payment or nonpayment of dividends;
- determinations with respect to tax returns;
- our capital structure; and
- amendments to our certificate of incorporation and bylaws.

In addition to the effects described above, Harris' control position could make it more difficult for us to raise capital or make acquisitions by issuing our capital stock. This concentrated ownership also might delay or prevent a change in control and may impede or prevent transactions in which our stockholders might otherwise receive a premium for their shares.

We may have potential conflicts of interest with Harris relating to our ongoing relationship, and because of Harris' controlling ownership in us, the resolution of these conflicts may not be favorable to us.

Conflicts of interest may arise between us and Harris in a number of areas relating to our ongoing relationship, including:

- indemnification and other matters arising under the Formation, Contribution and Merger Agreement or other agreements;
- intellectual property matters;
- employee recruiting and retention;
- competition for customers in the areas where Harris is permitted to do business under the non-competition agreement described below;
- sales or distributions by Harris of all or any portion of its ownership interest in us, which could be to one of our competitors;
- business combinations involving us; and
- business opportunities that may be attractive to both Harris and us.

In addition, we may not be able to resolve any potential conflicts with Harris, and, even if we do, the resolution may be less favorable to us than if we were dealing with an unaffiliated party.

We have an investor agreement and non-competition agreement with Harris. The investor agreement provides that Harris and its affiliates are only permitted to enter into a transaction with us if the transaction is approved by a majority of our non-Harris-appointed directors or the terms are, in all material respects, no less favorable to us than those that could have been obtained from an informed, unrelated third party (taking into consideration all the then prevailing facts and circumstances). However, if a transaction has a fair market value of more than $5 million, it must be approved in advance by a majority of our non-Harris-appointed directors, regardless of the nature of the terms. There are limited exceptions to these arrangements.

Pursuant to the terms of the non-competition agreement, Harris has agreed in general terms that, for five years following January 26, 2007, it cannot and will not permit any of its subsidiaries (other than us and our subsidiaries) to, engage in the development, manufacture, distribution and sale of microwave radio systems that are competitive with our current products or substantially similar to those products in form, fit and function when used in terrestrial microwave point-to-point communications networks that provide access and trunking of voice and data for telecommunications networks. Notwithstanding this restriction, Harris is permitted to purchase and resell products produced by and branded by persons unaffiliated with Harris and to develop, manufacture, distribute and sell microwave radios and related components for use by government entities.

We are and will continue to be a "controlled company" within the meaning of the NASDAQ rules and, as a result, rely on exemptions from certain corporate governance requirements that are designed to provide protection to shareholders of companies that trade on NASDAQ.

Harris owns more than 50% of the total voting power of our outstanding capital stock. Therefore, we are a "controlled company" under the NASDAQ rules. As a controlled company, we are entitled to utilize exemptions under the NASDAQ standards that free us from the obligation to comply with some governance requirements under the NASDAQ rules, including the following:

- a majority of our board of directors consists of independent directors;
- our director nominees must either be selected, or recommended for selection by the board of directors, either by:
  - a majority of the independent directors; or
  - a nominations committee comprised solely of independent directors; and

- the compensation of our officers must be determined, or recommended to the board of directors for determination, either by:
  - a majority of the independent directors; or
  - a compensation committee comprised solely of independent directors.

Although a majority of our board of directors currently consists of independent directors and our compensation committee, which recommends the compensation of our officers to the board of directors, is comprised solely of independent directors, we may use these exemptions in the future and, as a result, may not provide the same protection afforded to shareholders of companies that are subject to all of the NASDAQ corporate governance requirements.

So long as Harris holds a majority of our securities outstanding and is entitled to vote generally in the election of our directors (other than those directors elected separately as a class by Harris), it will have the right to preserve its control position by participating in our equity offerings.

At any time that Harris holds a majority of our securities outstanding and entitled to vote generally in the election of our directors (other than those directors elected separately as a class by Harris), subject to limited exceptions, Harris has the right to participate in any offering of our capital stock including grants of equity to employees on the same terms and conditions as the offering and purchase up to that number of shares of our capital stock necessary to preserve its then voting percentage. As a result, Harris will be able to maintain its control position as long as it is able to and elects to participate in any offering of our capital stock.

Neither Harris nor any of its affiliates will have any fiduciary obligation or other obligation to offer corporate opportunities to us, and our certificate of incorporation and investor agreement with Harris expressly permit certain of our directors and our employees to offer certain corporate opportunities to Harris before us.

Our certificate of incorporation and the investor agreement with Harris provide that:

- except (1) as otherwise provided in the non-competition agreement with Harris or (2) opportunities offered to an individual who is a director or officer of both Harris Stratex and Harris in writing solely in that person's capacity as our officer or director, Harris is free to compete with us in any activity or line of business; invest or develop a business relationship with any person engaged in the same or similar activities or businesses as us; do business with any of our customers; or employ any of our former employees;
- neither Harris nor its affiliates have any duty to communicate its or their knowledge of or offer any potential business opportunity, transaction or other matter to us unless the opportunity was offered to the individual who is a director or officer of both Harris Stratex and Harris in writing solely in that person's capacity as our officer or director; and
- if any director or officer of Harris, who is also an officer or director of Harris Stratex, becomes aware of a potential business opportunity, transaction or other matter (other than one expressly offered to that director or officer in writing solely in his or her capacity as our director or officer), that director or officer will have no duty to communicate or offer that opportunity to us and will be permitted to communicate or offer that opportunity to Harris (or its affiliates), and that director or officer will not be deemed to have acted in bad faith or in a manner inconsistent with our best interests or in a manner inconsistent with his or her fiduciary or other duties to us.

Two members of our board of directors are also directors and/or officers of Harris. As a result, Harris may gain the benefit of corporate opportunities that are presented to these directors.

In certain circumstances, Harris is permitted to engage in the same types of businesses that we conduct. If Harris elects to pursue opportunities in these areas, our ability to successfully operate and expand our business may be limited.

We have a non-competition agreement with Harris restricting its and its subsidiaries' ability to compete with us for five years from January 26, 2007 in specified lines of business related to our current business operations.

However, the non-competition agreement will not restrict Harris from competing in a limited number of specific areas in which we operate, such as the development, manufacture and sale of wireless systems for use by government entities and the purchase and resale of non-Harris-branded wireless systems. Following the five-year term, there will be no restriction on Harris' ability to compete with us. If Harris elects to pursue opportunities in these areas or re-enters the business from which it is prohibited following the five-year term of the non-competition agreement, our ability to successfully operate and expand our business may be limited.

Sales by Harris of its interest in us could result in offers for shares of Class A common stock, the terms of which have been negotiated solely by Harris, and could adversely affect the price and liquidity of our Class A common stock.

Harris has agreed not to buy or sell our common stock until January 26, 2009, except with the consent of our non-Harris directors or to enable Harris to preserve its percentage interest in our outstanding common stock. From January 26, 2009 to January 26, 2011, Harris will be free to transfer majority control of us to a buyer, at a price and on terms acceptable to Harris in its sole discretion so long as the buyer offers to acquire all our outstanding voting shares not owned by Harris on the same terms offered to Harris or the non-Harris directors approve the transfer by Harris in advance. However, our non-Harris stockholders will have no role in determining the identity of the buyer and the amount and type of consideration to be received or any other terms of the transaction. If equity securities of the buyer are offered or if our other shareholders elect not to accept the buyer's offer, their continuing investment would be in a company that may be majority-controlled by a company or an investor selected only by Harris. After January 26, 2011, Harris will no longer be subject to any contractual limitations on the sale of its interest in Harris Stratex.

In addition, we have agreed to register for resale to the public shares of common stock which are held by Harris. Sales of our registered shares by Harris, or the perception that such sales might occur, could depress the trading price of our Class A common stock.

Other Risks

We may not be profitable.

As measured under U.S. generally accepted accounting principles ("U.S. GAAP"), we have incurred a net loss in each of the last five fiscal years. In fiscal 2007, we incurred a net loss of $17.9 million and in fiscal 2006, we incurred a net loss of $35.8 million. We can give no assurance that we will be consistently profitable, if at all.

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 smaller public companies and private companies in selected markets. Some of our competitors are original equipment manufacturers 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. Furthermore, our competitors may enter into business combinations in order to accelerate product development or to engage in aggressive price reductions or other competitive practices, resulting in even more powerful or aggressive competitors.

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. 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.

If we do not successfully market our newest products, TRuepoint and Eclipse, our business would be harmed.

In 2004, Stratex began commercial shipments of the Eclipse product. Eclipse is a wireless transmission platform that uses a nodal architecture to provide multiplexing, routing and cross-connection functions, in addition to radio transmission, to reduce the network operators' deployments costs. To a large extent, our future profitability depends on the continued success and price competitiveness of Eclipse. In fiscal years 2005 and 2006, Stratex recorded $39.6 million and $134.5 million of revenue from sales of Eclipse products. In fiscal 2007, we recorded $105.9 million in revenue during the five month period ended June 29, 2007 and Stratex recorded $108.1 million in revenue during the seven month period ended January 26, 2007, for a total of $214.0 million in revenue from sales of Eclipse products during our fiscal year 2007.

In 2004, Harris MCD began shipping TRuepoint products. To a large extent, our future profitability depends on the continued success of TRuepoint, especially in the North American market and worldwide high-capacity trunking markets. Because TRuepoint represents a new, innovative solution for wireless carriers, we cannot give assurances that we will be able to continue to successfully market this product. If TRuepoint does not achieve market acceptance to the extent expected by us, we may not be able to recoup the significant amount of research and development expenses associated with the development and introduction of this product and our business could be negatively impacted. Should the continued development and ramp-up of the TRuepoint platform be unsuccessful, there would be a material adverse effect on our business, financial condition and results of operations.

Our average sales prices may decline in the future.

Currently, manufacturers of digital microwave 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.

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, original equipment manufacturers, 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 2006, but not during fiscal 2007. 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. If these revenue declines occur or if we are unable to create revenue growth, our business, financial condition, and results of operations may be adversely affected.

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.

As a subsidiary of Harris, we may have the benefit of one or more existing cross-license agreements between Harris and certain third parties, which may help protect us from infringement claims. If we cease to be a subsidiary of Harris, those benefits will be lost.

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 2007, our sales to international customers accounted for 67% of total revenue. During fiscal 2006 and 2005, sales to international customers accounted for 55% and 51% of our revenue, respectively. Our dependence on international customers is expected to increase, due to our merger with Stratex, since approximately 95% of its revenue has historically been derived from international markets. 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;
- natural disasters;

- currency exchange controls; and
- changes in export regulations.

Our industry is volatile and subject to frequent changes, and we may not be able to respond effectively or in a timely manner to these changes.

We participate in a highly volatile industry that is characterized by vigorous competition for market share and rapid technological development. These factors could result in aggressive pricing practices and growing competition both from start-up companies and from well-capitalized telecommunication systems providers, which could decrease our revenue. In response to changes in our industry and market conditions, we may restructure our activities to more strategically realign our resources. This includes assessing whether we should consider disposing of, or otherwise exiting, certain businesses, and reviewing the recoverability of our tangible and intangible assets. Any decision to limit investment in our tangible and intangible assets or to dispose of or otherwise exit businesses may result in the recording of accrued liabilities for special charges, such as workforce reduction costs. Additionally, accounting estimates with respect to the useful life and ultimate recoverability of our carrying basis of assets could change as a result of such assessments and decisions, and could harm our results of operations.

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.

The inability of our subcontractors to perform, or our key suppliers to manufacture and deliver materials, could cause our products to be produced in an untimely or unsatisfactory manner, or not at all.

Our manufacturing operations, which are substantially subcontracted, are highly dependent upon the delivery of materials by outside suppliers in a timely manner. Also, we depend in part upon subcontractors to assemble major components and subsystems used in our products in a timely and satisfactory manner. We generally do not enter into long-term or volume purchase agreements with any of our suppliers, and we cannot provide assurances that such materials, components and subsystems will be available for our use at such time and in such quantities as we require, if at all. In addition, we have historically obtained some of our supplies from a single source. If these suppliers are unable to provide supplies and products to us because they are no longer in business or because they discontinue a certain supply or product we need, we may not be able to fill orders placed by our customers on a timely basis or at all. Our inability to develop alternative sources of supply quickly and on a cost-effective basis could materially impair our ability to manufacture and timely deliver our products to our customers. We cannot give assurances that we will not experience material supply problems or component or subsystem delays in the future. Also, our subcontractors may not be able to maintain the quality of our products, which might result in a large number of product returns by customers and could harm our business, financial condition and results of operations.

Additional risks associated with the outsourcing of our manufacturing operations to MTI in Taiwan and its subsidiary in the People's Republic of China could include, among other things: political risks due to political issues between Taiwan and The People's Republic of China; risk of natural disasters in Taiwan, such as earthquakes and typhoons; economic and regulatory developments; and other events leading to the disruption of manufacturing operations.

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.*"

Our success will depend on new product introductions and 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. 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.

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

Our business requires extensive credit risk management that may not be adequate to protect against customer nonpayment. Risks 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 above titled "*Because a significant amount of our revenue 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.

Rapid changes in the microwave radio industry and the frequent introduction of lower cost components for our product offerings may result in excess inventory that we cannot sell or may be required to sell at distressed prices, and may result in longer credit terms to our customers.

The rapid changes and evolving industry standards that characterize the market for our products require frequent modification of products for us to be successful. These rapid changes could result in the accumulation of component inventory parts that become obsolete as modified products are introduced and adopted by customers. We have experienced significant inventory write-offs in recent years, and because of the rapid changes that characterize the market, we also may be forced to write down excess inventory from time to time. Moreover, these same factors may force us to significantly reduce prices for older products or extend more and longer credit terms to customers, which could negatively impact our cash and possibly result in higher bad debt expense. More generally, we cannot give assurances that we will be successful in matching our inventory purchases with anticipated shipment volumes. As a result, we may fail to control the amount of inventory on hand and may be forced to write off additional

amounts. Such additional inventory write-offs, if required, would adversely impact our cash flows, financial condition and operating results.

The unpredictability of our quarter-to-quarter results may harm the trading price of our Class A 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;
- our sales cycles can be lengthy;
- continued market expansion through strategic alliances;
- 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;
- 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.

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. 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.

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 its 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.

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.

Negative changes in the capital markets available for telecommunications and mobile cellular projects may result in reduced revenue and excess inventory that we cannot sell or may be required to sell at distressed prices, and may result in longer credit terms to our customers.

Many of our current and potential customers require significant capital funding to finance their telecommunications and mobile cellular projects, which include the purchase of our products and services. Although in the last year we have seen some growth in capital spending in the wireless telecommunications market, changes in capital markets worldwide could negatively impact available funding for these projects and may continue to be unavailable to some customers. As a result, the purchase of our products and services may be slowed or halted. Reduction in demand for our products has resulted in excess inventories on hand in the past, and could result in additional excess inventories in the future. If funding is unavailable to our customers or their customers, we may be forced to write down excess inventory. In addition, we may have to extend more and longer credit terms to our customers, which could negatively impact our cash and possibly result in higher bad debt expense. We cannot give assurances that we will be successful in matching our inventory purchases with anticipated shipment volumes. As a result, we may fail to control the amount of inventory on hand and may be forced to write off additional amounts. Such additional inventory write-offs, if required, would decrease our profits.

In addition, in order to maintain competitiveness in an environment of restrictive third-party financing, we may have to offer customer financing that is recorded on our balance sheet. This may result in deferred revenue recognition, additional credit risk and substantial cash usage.

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.

If we are unable to favorably assess the effectiveness of our internal controls over financial reporting, we may not be able to accurately report our financial results. As a result, current and potential shareholders could lose confidence in our financial reporting, which could adversely affect our stock price.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports. Pursuant to Sections 302 and 404 of the Sarbanes-Oxley Act of 2002 (also known as the SOX Act), and beginning with our Annual Report on Form 10-K for the fiscal year ending June 27, 2008, our management will be required to certify to and report on, and its independent registered public accounting firm will be required to attest to, the effectiveness of our internal controls over financial reporting as of June 27, 2008. If we fail to maintain effective internal controls over financial reporting, our operating results could be misstated, our reputation may be harmed and the trading price of our stock could be negatively impacted. As described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Stratex's Annual Report on Form 10-K for the year ended March 31, 2006, as amended, Stratex determined there were two material weaknesses in its internal control over financial reporting as defined in standards established by the Public Company Accounting Oversight Board ("PCAOB"). In general, a "material weakness" (as defined in PCAOB Auditing Standard No. 2) is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement in the annual or interim financial statements will not be prevented or detected. In fiscal 2006, Stratex devoted significant resources to remediate and improve its internal controls related to these material weaknesses. Stratex believes that these efforts have remediated the concerns that gave rise to the "material weakness" related to revenue recognition. However, due to the assessment of Stratex's internal controls over financial reporting as of March 31, 2006, Stratex had identified the continuation of a material weakness in the review of the financial statements of international operations and the period-end financial close and reporting process for Stratex's consolidated operations. Historically, Harris has only been required to certify or report on or receive an attestation from its independent registered public accounting firm with respect to Harris, taken as a whole, and not MCD in particular. We are currently in the process of reviewing, documenting and testing our internal controls over financial reporting. We will continue reviewing our internal controls over the financial close and reporting process, and will implement additional controls as needed. However, we cannot be certain that our controls over our financial processes and reporting will be adequate in the future, and we may incur significant additional expenses in complying with these provisions of the SOX Act. Any failure to maintain effective internal controls over financial reporting could cause us to prepare inaccurate financial statements, subject us to a misappropriation of assets or cause us to fail to meet our SEC reporting obligations on a timely basis, which could materially and adversely affect the trading price of our Class A common stock.

Item 1B. *Unresolved Staff Comments.*

None.

Item 2. *Properties.*

As of June 29, 2007, we conducted operations in 39 facilities in the U.S., Canada, Europe, Central America, South America, Africa and Asia. Additionally, in the first quarter of fiscal 2008, we will begin operations in two additional leased facilities. Our principal executive offices are located at leased facilities in Morrisville, North Carolina. There are no material encumbrances on any of our facilities. Remaining initial lease periods extend to 2012, and one lease may be extended to 2013.

As of June 29, 2007, the locations and approximate floor space of our principal offices and facilities in productive use (including the two additional leased facilities mentioned above) were as follows:

Location	Major Activities	Owned (square feet)	Leased (square feet)
San Antonio, Texas	Office, manufacturing	130,000	—
Wellington, New Zealand	Office, R&D center	58,000	—
Lanarkshire, Scotland	Office, repair center	33,000	—
San Jose, California (three facilities)	Offices, R&D center, warehouse		98,000
Montreal, Canada	Office, R&D center	—	79,000
Redwood Shores, California	Office	—	75,000
Morrisville, North Carolina	Headquarters, R&D center	—	60,000
People's Republic of China (three facilities)	Offices, manufacturing	—	42,000
Redwood City, California	Office	—	18,000
Paris, France (two facilities)	Offices	—	15,000
Republic of Singapore	Office	—	13,000
Mexico City, Mexico (two facilities)	Offices, warehouse	—	12,000
23 other facilities	Offices	—	67,000
Totals		221,000	479,000

In 2007, in connection with the acquisition of Stratex, we ceased operations at, and subsequently vacated, a leased facility in Seattle, Washington, and two leased facilities in San Jose and Milpitas, California. These facilities comprise approximately 63,000 square feet. Additionally, we ceased most of our operations at, and mostly vacated, a fourth leased facility in San Jose. This facility comprises approximately 60,000 square feet, of which we have retained the use of approximately 10,000 square feet. We have subleased the remaining 50,000 square feet of this facility. As the lessee, we have ongoing lease commitments, which extend into fiscal year 2011, for these four facilities.

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 S — Lease Commitments" and "Note N — 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.*

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; the sale or use of products containing restricted or hazardous materials; breach of warranty; or 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.

We record accruals for losses related to those matters that we consider to be probable and that can be reasonably estimated. Gain contingencies, if any, are recognized when they are realized and legal costs are generally expensed when incurred. While it is not feasible to predict the outcome of these matters with certainty, and some lawsuits, claims or proceedings may be disposed of or decided unfavorably to us, based upon available information, in the opinion of management, settlements and final judgments, if any, which are considered probable of being

rendered against us in litigation or arbitration in existence at June 29, 2007 are reserved against, covered by insurance or would not have a material adverse effect on our financial position, results of operations or cash flows.

Item 4. *Submissions of Matters to a Vote of Security Holders.*

No matters were submitted by us to a vote of our security holders during the fourth quarter of fiscal 2007.

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

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 HSTX. There was no established trading market for the shares of our Class A or Class B common stock prior to January 29, 2007. Shares of our Class B common stock are not expected to be listed for trading on any exchange or quotation system at any time in the foreseeable future.

According to the records of our transfer agent, as of August 14, 2007, there were approximately 230 holders of record of our Class A common stock. The following table sets forth the high and low reported sale prices for a share of our Class A common stock on NASDAQ Global Market system for the periods indicated during our fiscal year ended June 29, 2007:

	Common Stock	
	High	Low
Fiscal Year Ended June 29, 2007		
First Quarter	None	None
Second Quarter	None	None
Third Quarter (beginning January 30, 2007)	$21.25	$18.23
Fourth Quarter	$20.07	$14.85

On August 14, 2007, the last sale price of our common stock as reported in the NASDAQ Global Market system was $19.85 per share.

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 outstanding $50 million credit facility restrict us from paying dividends or making other distributions to our shareholders under certain circumstances. We also may enter into other credit facilities or debt financing arrangements that further limit our ability to pay dividends or make other distributions.

Sales of Unregistered Securities

During fiscal 2007, we did not issue or sell any unregistered securities.

Issuer Repurchases of Equity Securities

During fiscal 2007, we did not repurchase any equity securities.

Equity Compensation Plans

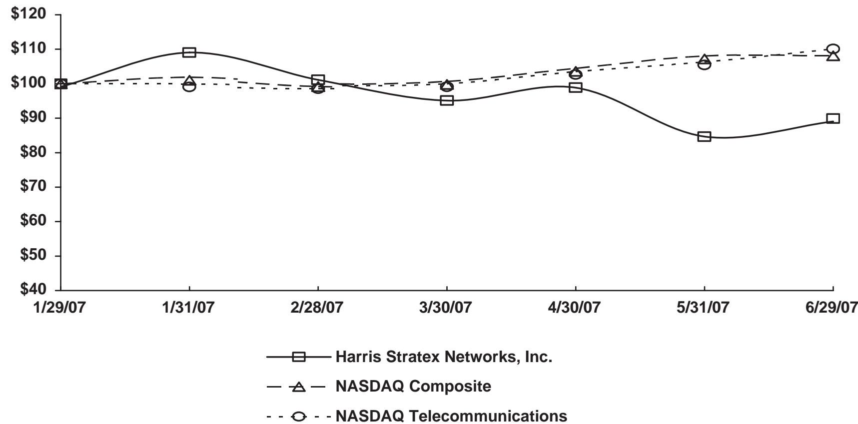
The equity compensation plan information required to be provided in this Annual Report on Form 10-K is incorporated by reference to the section of our Proxy Statement for our Annual Meeting of Shareholders to be held on November 14, 2007, entitled "Executive Compensation" to be filed with the SEC.

Annual Report

Performance Graph

The following graph compares the cumulative total return on the company's common stock with the cumulative total return of the Total Return Index for The NASDAQ Stock Market (U.S. Companies) and the NASDAQ Telecommunications Index for the five-month period commencing January 29, 2007. The stock price performance shown on the graph below is not necessarily indicative of future price performance.

COMPARISON OF 5 MONTH CUMULATIVE TOTAL RETURN*
Among Harris Stratex Networks, Inc., The NASDAQ Composite Index
And The NASDAQ Telecommunications Index



	1/29/07	1/31/07	2/28/07	3/30/07	4/30/07	5/31/07	6/29/07
Harris Stratex Networks, Inc.	**100.00**	**109.90**	**102.00**	**95.95**	**99.70**	**85.50**	**89.90**
NASDAQ Composite	**100.00**	**101.91**	**100.03**	**100.68**	**104.46**	**108.06**	**108.11**
NASDAQ Telecommunications	**100.00**	**99.96**	**99.42**	**99.98**	**103.53**	**106.34**	**110.08**

* Assumes (i) $100 invested on January 29, 2007 in Harris Stratex 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 June 29, 2007; June 30, 2006; and July 1, 2005 and for the fiscal years ended June 29, 2007; June 30, 2006; July 1, 2005; and July 2, 2004 has been derived from our audited consolidated financial statements, for which data presented for fiscal years 2007, 2006 and 2005 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				
	June 29, 2007(1)	June 30, 2006(2)	July 1, 2005	July 2, 2004(3)	June 27, 2003(4) (Unaudited)
	(In millions)				
Results of Operations:					
Revenue from product sales and services	$ 507.9	$ 357.5	$ 310.4	$ 329.8	$ 297.5
Cost of product sales and services	(355.2)	(272.5)	(220.8)	(245.9)	(221.7)
Net loss	(17.9)	(35.8)	(3.8)	(20.3)	(35.2)
Basic and diluted net loss per common share	(0.72)	N/A	N/A	N/A	N/A

	As of				
	June 29, 2007(1)	June 30, 2006(2)	July 1, 2005	July 2, 2004(3)	June 27, 2003(4)
				(Unaudited)	(Unaudited)
			(In millions)		
Balance Sheet Data:					
Total assets	$1,038.1	$352.6	$362.0	$344.2	$398.3
Long-term liabilities	35.6	12.6	14.2	15.0	11.9
Total net assets	758.0	252.0	280.3	246.5	272.4

(1) The merger with Stratex and the contribution transaction occurred on January 26, 2007. Results of operations for the business acquired in the merger were included in fiscal 2007 from that date only. Thus, operating results in fiscal 2007 are not directly comparable to operating results for the prior fiscal years. In addition, during fiscal 2007, we recorded $15.3 million in acquired in-process research and development expenses, $9.1 million in amortization of developed technology, tradenames, customer relationships, contract backlog and non-compete agreements, $8.6 million in amortization of fair value adjustments for inventory and fixed assets related to the acquisition of Stratex, $4.2 million in restructuring charges and $3.6 million in merger-related integration charges to our International Microwave segment. In addition, we recorded $1.4 million in amortization of developed technology, tradenames, customer relationships, contract backlog and non-compete agreements, 0.4 million in amortization of fair value adjustments for inventory and fixed assets related to the acquisition of Stratex, $5.1 million in restructuring charges and $2.7 million in merger related integration charges to our North America microwave segment.

(2) Fiscal 2006 results include a $39.6 million after-tax charge related to inventory write-downs and other charges associated with product discontinuances, as well as the planned shutdown of manufacturing activities at our plant in Montreal, Canada.

(3) Fiscal 2004 results include a $7.3 million charge related to cost-reduction measures and fixed asset write-downs.

(4) Fiscal 2003 results include an $8.6 million write-down of inventory related to the exit from unprofitable products and the shut-down of our manufacturing plant in Brazil, as well as an $8.3 million charge related to cost-reduction measures.

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

Acquisition of Stratex Networks, Inc. and Combination with MCD

On January 26, 2007, Harris Stratex Networks, Inc. (the "Company," "HSTX," "Harris Stratex," "we," "us" and "our") completed its merger (the "Stratex acquisition") with Stratex Networks, Inc. ("Stratex") pursuant to a Formation, Contribution and Merger Agreement among Harris Corporation, Stratex, and Stratex Merger Corp., as amended and restated on December 18, 2006 and amended by letter agreement on January 26, 2007. In the transaction, Stratex Merger Corp., a wholly-owned subsidiary of the Company, merged with and into Stratex with Stratex as the surviving corporation (renamed as "Harris Stratex Networks Operating Corporation"). Concurrently with the merger of Stratex and Stratex Merger Corp. (the "merger"), Harris Corporation contributed the Microwave Communications Division ("MCD"), along with $32.1 million in cash (comprised of $26.9 million contributed on January 26, 2007 and $5.2 million held by the Company's foreign operating subsidiaries on January 26, 2007) to the Company and the Company assumed the liabilities (with certain exceptions) of MCD (the "contribution transaction").

Pursuant to the merger, each share of Stratex common stock was converted into one-fourth of a share of our Class A common stock, and a total of 24,782,153 shares of our Class A common stock were issued to the former holders of Stratex common stock. In the contribution transaction, Harris Corporation contributed the assets of MCD, along with $32.1 million in cash, and in exchange, we assumed certain liabilities of Harris Corporation related to MCD and issued 32,913,377 shares of our Class B common stock to Harris Corporation. As a result of these transactions, Harris Corporation owned approximately 57% and the former Stratex shareholders owned approximately 43% of our total outstanding stock immediately following the closing.

We completed the Stratex acquisition to create a leading global communications solutions company offering end-to-end wireless transmission solutions for mobile and fixed-wireless service providers and private networks.

The Stratex acquisition was accounted for as a purchase business combination with MCD considered the acquiror for accounting purposes. Thus, the historical results discussed herein for periods prior to January 26, 2007 represent the separate financial results of MCD on a carve-out basis. Total consideration paid by us was approximately $493.1 million as summarized in the following table (see Note D to consolidated financial statements):

Calculation of Allocable Purchase Price	January 26, 2007 (In millions)
Value of Harris Stratex Networks shares issued to Stratex Networks stockholders	$464.9
Value of Stratex Networks vested options assumed	15.5
Acquisition costs	12.7
Total allocable purchase price	$493.1

Overview

The following Management's Discussion and Analysis of Financial Condition and Results of Operations, which is sometimes referred to in this Annual Report on Form 10-K as the MD&A, is provided as a supplement to, should be read in conjunction with, and is qualified in its entirety by reference to our consolidated financial statements and related notes beginning on page 55 of this report.

The following is a list of the sections of the MD&A, together with the perspective of our management on the contents of these sections of the MD&A, which is intended to make reading these pages more productive:

- Business Considerations — a general description of our businesses; the drivers of these businesses and our strategy for achieving value and key indicators that are relevant to us in the microwave communications industry.
- Operations Review — an analysis of our consolidated results of operations and of the results in each of its three operating segments, to the extent the operating segment results are helpful to gaining an understanding of our business as a whole.
- Liquidity, Capital Resources and Financial Strategies — an analysis of cash flows, contractual obligations, off-balance sheet arrangements, commercial commitments, financial risk management, impact of foreign exchange and impact of inflation.
- Critical Accounting Policies and Estimates — a discussion of accounting policies and estimates that require the most judgment and a discussion of accounting pronouncements that have been issued but not yet implemented by us and their potential impact.

Business Considerations

General

MCD was a leading global provider of turnkey wireless transmission solutions and comprehensive network management software, with an extensive services suite. With innovative products and a broad portfolio, MCD was a market share leader in North America and a top-tier provider in international markets, most notably in the growing Middle East/Africa region. Stratex Networks was a leading provider of innovative wireless transmission solutions to mobile wireless carriers and data access providers around the world. As a result of the combination of the two historical businesses, Harris Stratex was formed and has become a leading independent wireless networks solutions provider, focused on delivering 1) microwave digital radio and other communications products, systems and professional services for private network operators and mobile telecommunications providers; and 2) turnkey end-to-end network management and service assurance solutions for broadband and converged networks. Our three segments serve markets for microwave products and services in North America Microwave, International Microwave and network management software solutions worldwide or Network Operations. All of our revenue, income

and cash flow are developed from the sale of these products, systems, software and services. We generally sell directly to the end customer. However, to extend our global footprint and maximize our penetration in certain markets, we sometimes sell through agents, resellers and/or distributors, particularly in international markets.

Our mission statement is: "Harris Stratex Networks offers the most reliable, flexible, scalable, and easy to use wireless network solutions in the world for mobile, government and private networks. Every day, we build lasting customer relationships, grow our company and build new value for our shareholders by listening to our customers, delivering innovative products matched to market demand and offering superior service and quality. We're committed to helping customers meet their competitive demands by building new wireless networks, upgrading existing networks and providing complete professional services."

Drivers of Harris Stratex Businesses and Strategy for Achieving Value

We are committed to our mission statement, and we believe that executing the mission statement creates value. Consistent with this commitment, we currently focus on these key drivers:

- Continuing profitable revenue growth in all segments;
- Focusing on operating efficiencies and cost reductions; and
- Maintaining an efficient capital structure.

Continuing Profitable Revenue Growth in All Segments

Harris Stratex Networks is a global provider of wireless transmission networks solutions. We will focus on capitalizing on our strength in the North American market by continuing to win opportunities with wireless telecommunications providers as well as federal, state and other private network operators. Growth opportunities will come from network and capacity expansion and the evolution to IP networking in both the public and private segments. Other growth drivers include the emerging *triple-play* services (voice, data and video) market in the public sector, the trend towards network hardening and interoperability for public safety and disaster response agencies and the FCC directive to relocate frequency bands in the 2 GHz range to open up spectrum for Advanced Wireless Services. Wireless transmission systems are particularly well-suited to meet the increasing demand for high-reliability, high-bandwidth networks that are more secure and better protected against natural and man-made disasters.

We are focused on increasing international revenue by offering innovative new products and expanding regional sales channels to capture greenfield network opportunities. We will also focus on two major evolutionary trends in the global communications market by 1) penetrating large regional mobile telecom operators to participate in network expansion and new third-generation ("3G") network opportunities; and 2) enabling the migration to Internet Protocol (IP) networking in both the public and private segments by providing both IP-enabled and IP-centric wireless transmission solutions.

We offer a broad range of engineering and other professional services for network planning, systems architecture design and project management as a global competitive advantage. We will expand our Network Operations offerings in microwave and non-microwave opportunities to create a differentiator for our total solutions offerings.

Focusing on Operating Efficiencies and Cost Reductions

The principal focus areas for operating efficiencies and cost management are: 1) reducing procurement costs through an emphasis on coordinated supply chain management; 2) reducing product costs through dedicated value engineering resources focused on product value engineering; 3) improving manufacturing efficiencies across all segments; and 4) optimizing facility utilization.

Maintaining an Efficient Capital Structure

Our capital structure is intended to optimize our cost of capital. We believe a strong capital position, access to key financial markets, ability to raise funds at a low effective cost and overall low cost of borrowing provide a

competitive advantage. We had $89.6 million in cash, cash equivalents, short-term investments and available for sale securities as of June 29, 2007.

Key Indicators

We believe our drivers, when fully implemented, will improve key indicators such as: net income, revenue, gross margin, operating cash flows, total assets as a percentage of revenue and total equity as a percentage of revenue.

Fiscal 2007 Compared to Fiscal 2006 and Fiscal 2006 Compared to Fiscal 2005

Revenue and Net Loss

	2007	2006	2007/2006 % Increase/(Decrease)	2005	2006/2005 % Increase/(Decrease)
			(In millions, except percentages)		
Revenue	$507.9	$357.5	42.1%	$310.4	15.2%
Net loss	$ (17.9)	$ (35.8)	N/M	$ (3.8)	N/M
% of revenue	(3.5)%	(10.0)%	—	(1.2)%	

N/M Not meaningful

Fiscal 2007 Compared to Fiscal 2006

Our revenue for fiscal 2007 was $507.9 million, an increase of $150.4 million or 42.1% compared to fiscal 2006, and includes $123.7 million of revenue from the products and services acquired in the Stratex acquisition for the five-month period following January 26, 2007. The remainder of the revenue increase, or $26.7 million, resulted from growth in the North America Microwave, and Network Operations segments, offset by a decline in international microwave revenue. The increased demand for our products in North America during fiscal 2007 came from both wireless service providers and private networks as mobile operators began to substitute microwave wireless capabilities for leased lines to reduce network operating costs, expand their geographic footprint and increase capacity to handle high-bandwidth voice, data, and video services. Private network demand also increased during fiscal 2007 compared to fiscal 2006, driven by the need for higher bandwidth and by the availability of federal grant dollars to improve interoperability of public safety networks. The decline in international microwave revenue was driven by lower revenue in Asia-Pac, EMER and Africa, due to the timing of project awards.

Our fiscal 2007 net loss was $17.9 million compared to a net loss of $35.8 million in fiscal 2006. The fiscal 2007 net loss reflected the following charges related to the acquisition of Stratex: $15.3 million write-off of acquired in-process research and development; $6.3 million of charges related primarily to severance and integration activities undertaken in connection with the merger; $9.0 million amortization of a portion of the fair value adjustments related to inventory and fixed assets; and $10.5 million of amortization related to developed technology, trade names, customer relationships, contract backlog and non-competition agreements. These charges were classified in cost of product sales and services or selling and administrative expenses depending on the nature of the charge.

Additionally, we recorded $9.3 million of restructuring charges in connection with plans to improve operating efficiencies, and to create synergies through the consolidation of facilities. We began implementation of a plan in February 2007 to scale down operations in Montreal, Canada and, to a lesser extent, in the U.S. In the initial phase of this plan, notices were sent to approximately 200 employees in Montreal that their employment would be terminated between March 30, 2007 and December 31, 2007. We believe that the overall cost to implement this plan will be approximately $6.2 million for Montreal (consisting primarily of severance and other benefits) and approximately $0.7 million in the U.S. (consisting primarily of severance and other benefits). We began implementation of a plan in June 2007 to scale down operations in Paris, France and, to a lesser extent, Mexico City, Mexico. Notices were sent to 12 employees in Paris and 3 employees in Mexico City that their employment would be terminated by December 31, 2007. We believe the overall cost to implement these plans will be approximately $4.2 million in total (consisting primarily of severance and other benefits), with the majority of the costs relating to the reduction in force in France. These plans are expected to be fully implemented by December 31, 2007.

These charges were partially offset by income generated from the operations acquired from Stratex, and by the margin generated by the increased revenue from our North America Microwave segment. In fiscal 2007 we recorded a net tax benefit of $4.0 million, compared to a tax provision of $6.7 million in fiscal 2006. The tax benefit recorded in fiscal 2007 resulted primarily from foreign tax credits earned by our international operations during the fiscal year.

Our fiscal 2006 net loss was negatively impacted by $34.9 million of inventory write-downs related to product discontinuances, the related increase in income tax valuation allowance of $5.7 million, $5.4 million of corporate allocation expense related to the settlement of arbitration proceedings in connection with our former analog base station business and related services, and $3.8 million in restructuring costs related to the relocation of our Canadian manufacturing activities to our San Antonio, Texas manufacturing facility.

Fiscal 2006 Compared to Fiscal 2005

Our revenue for fiscal 2006 was $357.5 million, an increase of $47.1 million or 15.2% compared to fiscal 2005. Net loss for fiscal 2006 was $35.8 million compared to fiscal 2005 net loss of $3.8 million. Fiscal 2006 revenue increased in both the North America Microwave and International Microwave segments by 5.2% and 35.4% from June 2005, respectively. The increase was partially offset by a decrease in revenue in the Network Operations segment of 26.9% from June 2005.

Our net loss of $35.8 million in fiscal 2006 included the impact of $39.6 million in charges related to the International microwave segment associated with product discontinuances and the shutdown of manufacturing activities in Montreal, Canada. Corporate allocations expense from Harris increased from $6.2 million in fiscal 2005 to $12.4 million in fiscal 2006. Corporate allocations expense in fiscal 2006 included the impact of a $5.4 million corporate allocation related to the settlement of arbitration proceedings in connection with our former analog base station business and related services.

Gross Margin

	2007	2006	2007/2006 % Increase/(Decrease)	2005	2006/2005 % Increase/(Decrease)
			(In millions, except percentages)		
Revenue	$507.9	$357.5	42.1%	$310.4	15.2%
Cost of product sales and services	$355.2	$272.5	30.3%	$220.8	23.4%
Gross margin	$152.7	$ 85.0	79.6%	$ 89.6	(5.1)%
% of revenue	30.1%	23.8%	—	28.9%	—

Fiscal 2007 Compared to Fiscal 2006

Our fiscal 2007 gross margin was $152.7 million, or 30.1% of revenue, compared to $85.0 million, or 23.8% of revenue, for fiscal 2006. Our fiscal 2006 gross margin was negatively impacted by a $34.9 million write-down of inventory related to product discontinuances and there was no comparable write-down in fiscal 2007. Our fiscal 2007 gross margin was reduced by the following amounts related to the acquisition of Stratex: $8.3 million amortization of a portion of the fair value adjustments related to inventory and fixed assets; and $3.0 million of amortization on developed technology. Our fiscal 2007 gross margin was also impacted by an increase in gross margin attributed to the gross margin generated by the products and services acquired from Stratex and the margin generated by the increase in revenue from our North America Microwave segment.

Fiscal 2006 Compared to Fiscal 2005

Our fiscal 2006 gross margin of $85.0 million represented 23.8% of revenue, compared to 28.9% in fiscal 2005. The gross margin percentage decline reflected $34.9 million, or 9.8% of revenue, of inventory write-downs associated with product discontinuances in fiscal 2006. Gross margins benefited from increased shipments of TRuepoint, a new family of lower-cost, higher margin microwave radios. See “Discussion of Business Segments” below for further information.

Research and Development Expenses

	2007	2006	2007/2006 % Increase/(Decrease)	2005	2006/2005 % Increase/(Decrease)
			(In millions, except percentages)		
Research and development expenses	$39.4	$28.8	36.8%	$28.0	2.9%
% of revenue.	7.8%	8.1%	—	9.0%	—

Fiscal 2007 Compared to Fiscal 2006

Research and development ("R&D") expenses were $39.4 million in fiscal 2007, compared to $28.8 million in fiscal 2006. As a percent of revenue, these expenses decreased from 8.1% in fiscal 2006 to 7.8% in fiscal 2007. Of the total increase in the expense, $7.2 million of the increase is attributable to the research and development expense related to the Stratex merger. The remainder of the increase is primarily due to higher spending in fiscal 2007 related to our new TRuepoint family of microwave radios.

Fiscal 2006 Compared to Fiscal 2005

R&D expenses were $28.8 million in fiscal 2006, compared to $28.0 million in fiscal 2005. As a percent of revenue, these expenses decreased from 9.0% in fiscal 2005 to 8.1% in fiscal 2006. The increase of $0.8 million was primarily due to higher spending in 2006 related to our new TRuepoint family of microwave radios.

Selling and Administrative Expenses

	2007	2006	2007/2006 % Increase/(Decrease)	2005	2006/2005 % Increase/(Decrease)
			(In millions, except percentages)		
Selling and administrative expenses	$98.9	$68.5	44.4%	$58.8	16.5%
% of revenue.	19.5%	19.2%		18.9%	

Fiscal 2007 Compared to Fiscal 2006

Our fiscal 2007 selling and administrative (S&A) expenses increased to $98.9 million from $68.5 million in fiscal 2006. As a percentage of revenue, these expenses increased from 19.2% of revenue in fiscal 2006 to 19.5% of revenue in fiscal 2007. Of the total increase, $19.8 million of the increase is attributable to the selling and administrative expenses acquired from Stratex. S&A expenses in fiscal 2006 were favorably impacted by a $1.8 million gain on the sale of a building in San Antonio, Texas. The remainder of the increase is due to higher selling expenses resulting from the increase in revenue.

Fiscal 2006 Compared to Fiscal 2005

S&A expenses increased from $58.8 million in fiscal 2005 to $68.5 million in fiscal 2006. As a percentage of revenue, these expenses increased from 18.9% in fiscal 2005 to 19.2% in fiscal 2006. The S&A increase is primarily related to charges associated with product discontinuances, stock-based compensation expense, and increased selling costs related to the 15.2% increase in sales, partially offset by the $1.8 million gain in 2006 as noted above. See "Discussion of Business Segments" below for further information.

Other Operating Expense Charges

In order to improve operating efficiencies and to create synergies through the consolidation of facilities, we have implemented restructuring plans to scale down our operations in Canada, France, the U.S., and Mexico.

In the third quarter of fiscal 2007, we implemented a restructuring plan to close our Montreal facility and reduce our Canadian workforce, and, to a lesser extent, our U.S. workforce. In the fourth quarter of fiscal 2007 we implemented plans to reduce our French and Mexican workforces. As part of these restructuring plans, we notified approximately 215 employees in Canada, the U.S., France, and Mexico that their employment will be terminated

between March 30, 2007 and December 31, 2007. These plans are expected to be fully implemented by December 31, 2007. In fiscal 2007, we recorded restructuring charges of approximately $9.3 million ($5.1 million in our North America Microwave segment and $4.2 million in our International Microwave segment), all of which pertained to employee severance benefits. We anticipate that we will record an additional $2.2 million in restructuring charges associated with these plans in fiscal 2008 ($1.8 million in our North America Microwave segment and $0.4 in our International Microwave segment).

In fiscal 2007, as part of the Stratex purchase, we estimated the fair value of acquired in-process research and development to be approximately $15.3 million, which we have reflected in "Acquired in-process research and development" expense in the accompanying fiscal 2007 consolidated statements of operations. This represents certain technologies under development, primarily related to the next generation of the Eclipse product line. We estimated that the technologies under development were approximately 50% complete at the date of acquisition. We expect to incur up to an additional $3.4 million to complete this development, with completion expected in late calendar 2007. We also recorded $7.5 million amortization of acquired intangible assets. In fiscal 2006, we recorded $3.8 million of restructuring expenses, which were primarily related to the relocation of our Montreal manufacturing activities to our San Antonio facility.

Income Taxes

	2007	2006	2007/2006 % Increase/(Decrease)	2005	2006/2005 % Increase/(Decrease)
	(In millions, except percentages)				
Loss before income taxes	$(21.9)	$(29.0)	24.5%	$(3.5)	N/M
Income tax benefit (expense)	$ 4.0	$ (6.8)	159.7%	$(0.3)	N/M
% of loss before income taxes	18.3%	(23.4)%	—	(8.6)%	—

The basis for determining our income tax benefit (expense) is discussed in "Note Q-Income Taxes" of the Consolidated Financial Statements under Part II, Item 8 below.

Our fiscal 2007 tax benefit was the result of foreign tax credits earned as a result of our international operations offset somewhat by unfavorable carve-out tax adjustments attributable to MCD.

Fiscal 2006 income tax expense relates primarily to a valuation allowance established in the period against certain net operating losses we have determined will not be realized subsequent to the decision to cease manufacturing activities in Canada.

At June 29, 2007, we had $8.8 million of federal alternative minimum tax ("AMT") credit carryforwards, which do not expire. We also had net operating loss carryforwards of approximately $130.0 million. The tax loss carryforwards have expiration dates ranging between one year and no expiration in certain instances. We recorded a full valuation allowance on the net operating loss carryforward in the opening balance sheet of Stratex under purchase accounting. This adjustment resulted in an increase to goodwill. Any realization of this net operating loss carryforward in the future will be recorded as a reduction to goodwill. We also had foreign tax credit carryforwards in the amount of $4.7 million, which will begin to expire in 2017.

For periods prior to January 26, 2007, income tax expense has been determined as if MCD had been a stand-alone entity, although the actual tax liabilities and tax consequences applied only to Harris. Our income tax expense relates to income taxes paid or to be paid in foreign jurisdictions for which net operating loss carryforwards were not available and domestic taxable income is deemed offset by tax loss carryforwards for which an income tax valuation allowance had been previously provided for in the financial statements.

Related Party Transactions

Prior to the Stratex acquisition, Harris provided information services, human resources, financial shared services, facilities, legal support, and supply chain management services to us. The charges for these services were billed to us primarily based on actual usage. We will still use services as provided by Harris in fiscal 2008 as described below.

These amounts were charged directly to us and were not part of the corporate allocations expense in the consolidated statements of operations for the periods presented in this report. The amount charged to us for these services was $12.2 million, $10.9 million and $10.3 million in fiscal years 2007, 2006 and 2005. These amounts are included in the cost of product sales and services and engineering, selling and administrative expenses captions in the consolidated statements of operations for the periods presented in this report.

There are other services Harris provided to us prior to the Stratex acquisition that were not directly charged to the Company. These functions and amounts are explained above under the subtitle "Basis of Presentation." These amounts are included within "Due to Harris Corporation" on the consolidated balance sheets. Additionally, we have other receivables and payables in the normal course of business with Harris. These amounts are netted within "Due to Harris Corporation" on the consolidated balance sheets. Total receivables from Harris were $0.7 million and $7.5 million at June 29, 2007 and June 30, 2006. Total payables to Harris were $17.9 million and $20.1 million at June 29, 2007 and June 30, 2006.

Harris was the primary source of our financing and equity activities for the periods presented in this report through January 26, 2007, the date of the Stratex acquisition. During the seven months ended January 26, 2007, Harris's net investment in us was increased by $24.1 million. During the fiscal 2006, Harris's provided $2.8 million to recapitalize one of our subsidiaries and Harris's net investment in us decreased by $7.8 million. During the fiscal 2005, Harris's provided $43.0 million to recapitalize some of our subsidiaries and Harris's net investment in us decreased by $13.3 million.

Additionally, through the date of the Stratex acquisition, Harris loaned funds to us to fund our international entities and we provided excess cash at various locations back to Harris. This arrangement ended on January 26, 2007. We recognized interest income and expense on these loans. The amount of interest income and expense for each of the three fiscal years in the period ended June 29, 2007 was not significant.

We have sales to, and purchases from, other Harris entities from time to time. Prior to the merger, the entity initiating the transaction sold to the other Harris entity at cost or transfer price, depending on jurisdiction. The entity making the sale to the end customer recorded the profit on the transaction above cost or transfer price, depending on jurisdiction. Subsequent to the merger, sales to and purchases from Harris entities are recorded at market price. Our sales to other Harris entities were $1.9 million, $6.5 million and $3.1 million in fiscal 2007, 2006 and 2005. We also recognized costs associated with related party purchases from Harris of $6.7 million, $12.7 million and $8.0 million in fiscal 2007, 2006 and 2005.

On January 26, 2007, we entered into a new Transition Services Agreement with Harris to provide for certain services during the period subsequent to the Stratex acquisition. These services are charged to us based primarily on actual usage and include database management, supply chain operating systems, eBusiness services, sales and service, financial systems, back office material resource planning support, HR systems, internal and information systems shared services support, network management and help desk support, and server administration and support. During the year ended June 29, 2007, Harris charged us $3.7 million for these services.

Prior to January 26, 2007, MCD used certain assets in Canada owned by Harris that were not contributed to us as part of the Combination Agreement. We continue to use these assets in our business and we entered into a 5 year lease agreement to accommodate this use. This agreement is a capital lease under generally accepted accounting principles. At June 29, 2007, our lease obligation to Harris was $5.9 million and the related asset amount is included in our property, plant and equipment. Quarterly lease payments are due to Harris based on the amount of 103% of Harris' annual depreciation calculated in accordance with U.S. generally accepted accounting principles. Our depreciation expense on this capital lease was $0.8 million in fiscal 2007. As of June 29, 2007, the future minimum payments for this lease are $3.1 million for fiscal 2008, $1.0 million for fiscal 2009, $0.6 million for fiscal 2010, $0.4 million for fiscal 2011, and $0.8 million for fiscal 2012.

Discussion of Business Segments

North America Microwave Segment

	2007	2006	2007/2006 % Increase/(Decrease)	2005	2006/2005 % Increase/(Decrease)
			(In millions, except percentages)		
Revenue	$216.3	$168.1	28.7%	$159.8	5.2%
Segment operating income	$ 8.9	$ 16.9	(47.3)%	10.3	64.1%
% of revenue	4.1%	10.1%	—	6.4%	—

Fiscal 2007 Compared to Fiscal 2006

North America Microwave segment revenue increased by $48.2 million or 28.7% from fiscal 2006 to fiscal 2007. Revenue for fiscal 2007 included $7.7 million of revenue related to the acquisition of Stratex. The remainder of the increase reflects increased demand for our products driven primarily by mobile operators that are upgrading and expanding networks for high bandwidth voice, data and video services and by private networks upgrading for increased reliability, survivability and interoperability.

Fiscal 2007 operating income was reduced by the following amounts related to the acquisition of Stratex: $0.4 million amortization of the fair value adjustments for fixed assets, $1.4 million amortization of developed technology, trade names, customer relationships, and non-compete agreements, and $5.1 million of restructuring charges and $2.7 of integration and severance charges undertaken in connection with the merger including the reduction in force at our Montreal facility. North America operating income increased by $0.8 million attributable to the acquisition of Stratex.

Operating margin as a percentage of revenue also declined from 2006 to 2007 due to a higher mix of lower margin service revenue in fiscal 2007 compared to fiscal 2006.

Fiscal 2006 Compared to Fiscal 2005

North America Microwave segment revenue increased by $8.3 million or 5.2% from fiscal 2005 to fiscal 2006. This segment had operating income of $16.9 million in fiscal 2006 compared to operating income of $10.3 million in fiscal 2005. The strengthening market for microwave radios primarily drove the increase in revenue. Demand for both private networks and mobile service providers continued to be driven by capacity expansion and by network upgrades to provide high-reliability, high-bandwidth applications.

The increase in operating income was primarily due to increased shipments in fiscal 2006 of TRuepoint, a family of lower-cost microwave radios. This was partially offset by increased engineering, selling and administrative expenses in fiscal 2006 when compared to fiscal 2005 as a result of increased selling expenses and stock and cash based compensation plan expenses.

International Microwave Segment

	2007	2006	2007/2006 % Increase/(Decrease)	2005	2006/2005 % Increase/(Decrease)
			(In millions, except percentages)		
Revenue	$272.2	$172.3	58.0%	$127.2	35.5%
Segment operating loss	$ (27.9)	$ (34.1)	N/M	$ (11.9)	N/M
% of revenue	(10.2)%	(19.8)%		(9.4)%	

N/M Not meaningful

Fiscal 2007 Compared to Fiscal 2006

International microwave segment revenue increased by $99.9 million or 58.0% from fiscal 2006 to fiscal 2007. Revenue in fiscal 2007 included $116.0 million from products and services obtained in the Stratex acquisition.

Excluding the impact of the revenue from Stratex products and services, our International Microwave revenue declined by $16 million.

This segment had an operating loss of $27.9 million for fiscal 2007 compared to an operating loss of $34.1 million for fiscal 2006. The operating loss for fiscal 2007 reflected the following charges related to the acquisition of Stratex: $15.3 million write off of in-process research and development, $8.6 million amortization of the fair value adjustments for inventory and fixed assets, $9.1 million amortization of developed technology, trade names, customer relationships, contract backlog and non-compete agreements, and $4.2 million of restructuring charges including the reduction in force at our Paris facility, and $3.6 million of integration expenses associated with the merger. The operating loss for fiscal 2006 reflected $34.9 million of inventory write-downs related to product discontinuances, and $3.8 million in restructuring costs associated with relocating our Montreal manufacturing activities to our San Antonio, Texas manufacturing plant. International operating income increased by $9.0 million attributable to the acquisition of Stratex.

Operating margin as a percentage of revenue also declined from 2006 to 2007 due to a higher mix of lower margin service revenue in fiscal 2007 compared to fiscal 2006.

Fiscal 2006 Compared to Fiscal 2005

International microwave segment revenue increased by $45.1 million or 35.5% from fiscal 2005 to fiscal 2006. This segment had an operating loss of $34.1 million in fiscal 2006 compared to an operating loss of $11.9 million in fiscal 2005. The success of this segment's TRuepoint radio products and a strengthening market for microwave radios primarily drove the increase in revenue.

The increase in operating loss was primarily due to $39.6 million of inventory write-downs and severance costs associated with product discontinuances and the shut-down of our Montreal, Canada manufacturing activities. During the second quarter of fiscal 2005, we successfully completed the release of the TRuepoint product family, which is our product offering for the low- and mid-capacity microwave radio market segments. In light of the market acceptance of this product family, as demonstrated by TRuepoint product sales, management announced during the second quarter of fiscal 2006 a manufacturer's discontinuance, or "MD", of the MicroStar® M/H, MicroStar L and Galaxy™ product families (the product families the TRuepoint product line was developed to replace) and of the ClearBurst™ product family, a product line that shared manufacturing facilities with the MicroStar and the Galaxy product lines in Montreal, Canada. In November 2005, letters were sent to MicroStar, Galaxy and ClearBurst customers, informing them of the MD announcement.

We estimated expected demand for these products based on responses to the letters noted above and a percentage of the installed base, using our previous product history as a basis for this estimate. In addition, the customer service inventory of these discontinued products was reviewed and quantities required to support existing warranty obligations and contractual obligations were quantified. These analyses identified inventory held in multiple locations including Montreal, Canada; Redwood Shores, California; San Antonio, Texas; Paris, France; Mexico City, Mexico; São Paulo, Brazil; and Shenzhen, China. As a result of these analyses, $34.9 million of inventory was written down in the second quarter of fiscal 2006. Also, $5.6 million of severance and other costs were recorded in fiscal 2006 related to the shutdown of manufacturing activities at the Montreal, Canada plant and product discontinuances. The inventory reserved in the second quarter of fiscal 2006 has been subsequently disposed of or scrapped. No additional material costs or charges are expected to be incurred in connection with these product discontinuances.

The decrease in gross margins and operating losses associated with the product discontinuances noted above were partially offset by improved gross margins in fiscal 2006 as a result of increased shipments of TRuepoint. Engineering, selling and administrative expenses increased in fiscal 2006 when compared to fiscal 2005 as a result of increased selling expenses and stock and cash based compensation plan expenses.

Network Operations Segment

	2007	2006	2007/2006 % Increase/(Decrease)	2005	2006/2005 % Increase/(Decrease)
			(In millions, except percentages)		
Revenue	$19.4	$17.1	13.5%	$23.4	(26.9)%
Segment operating income	$ 1.3	$ 1.1	18.2%	$ 4.4	(75.0)%
% of revenue	6.7%	6.4%		18.8%	

Fiscal 2007 Compared to Fiscal 2006

Network Operations segment revenue increased by 13.5% from fiscal 2006 to fiscal 2007. This segment had operating income of $1.3 million in fiscal 2007, which represented an improvement of 18.2% compared to operating income of $1.1 million in fiscal 2006. Additionally, operating income as a percentage of sales increased to 6.7% in fiscal 2007 compared to 6.4% in fiscal 2006. The increase in revenue resulted primarily from an increase in maintenance and services revenue in fiscal 2007 compared to fiscal 2006.

The increase in operating income in total and as a percentage of sales was driven by product mix and a slight increase in higher margin software revenue compared to fiscal 2006.

Fiscal 2006 Compared to Fiscal 2005

Network Operations segment revenue decreased 26.9% from fiscal 2005 to fiscal 2006. This segment had operating income of $1.1 million in fiscal 2006 compared to operating income of $4.4 million in fiscal 2005. The decrease in revenue and operating income was due to obtaining the majority of the revenue through customer add-ons and software maintenance as opposed to adding major new customers.

Liquidity, Capital Resources and Financial Strategies

Cash Flows

	Fiscal Years Ended 2007	2006	2005
		(In millions)	
Net cash (used in) provided by operating activities	$(13.1)	$19.5	$ (4.2)
Net cash provided by (used in) investing activities	14.3	(8.2)	(19.4)
Net cash provided by (used in) financing activities	57.3	(5.8)	24.9
Effect of foreign exchange rate changes on cash	(3.1)	0.5	1.2
Net increase in cash and cash equivalents	$ 55.4	$ 6.0	$ 2.5

Cash and Cash Equivalents

We consider all highly liquid debt instruments purchased with a remaining maturity of three months or less at the time of purchase to be cash equivalents. Our cash and cash equivalents increased by $55.4 million to $69.2 million at the end of fiscal 2007. We acquired $20.4 million in cash from the Stratex acquisition net of acquisition costs of $12.7 million. We also generated cash of $8.3 million from the issuance of redeemable preference shares, $26.9 million in proceeds from the sale of Class B common stock to Harris in the contribution transaction, $35.8 million in proceeds from the sale of short-term investments, and net cash and other transfers of $24.1 million from Harris prior to the Stratex acquisition. These increases in cash were offset by $13.1 million used in operations and purchases of $30.7 million in short-term investments.

Our cash and cash equivalents increased by $6.0 million to $13.8 million at the end of fiscal 2006, primarily due to $19.5 million of cash provided by operating activities and $4.6 million of proceeds from the sale of land and building in San Antonio, Texas. These increases were partially offset by $12.8 million of software and plant and equipment additions and $5.0 million of cash and other transfers to Harris Corporation.

Annual Report

We currently believe that existing cash, cash equivalents, short-term investments and available for sale securities, 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. We estimate that approximately $20 million of our cash will be used in integration and restructuring activities during the next fiscal year. Other significant non-operational cash payments are not anticipated in fiscal 2008.

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.

Net Cash (Used in) Provided by Operating Activities

Our net cash used in operating activities was $13.1 million in fiscal 2007 compared to $19.5 million cash provided by operating activities in fiscal 2006. Operating cash flow was negatively affected primarily due to increases in receivables, inventories and unbilled costs. These negative cash flow items were partially offset by increases in accounts payable and accrued expenses, advance payments and unearned income and amounts due to Harris. The increase in inventories was due to the build-up of several large projects scheduled to ship during the remainder of calendar 2007.

Our net cash provided by operating activities was $19.5 million in fiscal 2006 compared to net cash used in operating activities of $4.2 million in fiscal 2005. The improvement in cash flow was primarily due to an increase in accounts payable, accrued compensation and benefits and accrued expenses associated with higher production volumes and increased incentive compensation and commission accruals.

Net Cash Provided by (Used in) Investing Activities

Our net cash provided by investing activities was $14.3 million in fiscal 2007 compared to $8.2 million used in investing activities in fiscal 2006, primarily because of the cash provided by the merger and the contribution transaction. Net cash used in investing activities in fiscal 2007 was primarily for $30.7 million in purchases of short-term investments, $2.9 million of additions of capitalized software and $8.3 million of additions of property, plant and equipment. Net cash used in investing activities in fiscal 2006 was due to $9.6 million of additions of plant and equipment and $3.2 million of additions of capitalized software, which was partially offset by $4.6 million proceeds from the sale of land and building in San Antonio, Texas.

Our total additions of capitalized software and property, plant and equipment in fiscal 2008 are expected to be in the $8 million to $10 million range.

Our net cash used in investing activities was $8.2 million in fiscal 2006 compared to $19.4 million used in investing activities in fiscal 2005. Net cash used in investing activities in fiscal 2006 was due to $9.6 million additions of property, plant and equipment and $3.2 million additions of capitalized software, which was partially offset by $4.6 million proceeds from the sale of land and building in San Antonio, Texas. Net cash used in investing activities in fiscal 2005 was primarily due to $9.3 million of additions of property, plant and equipment and $10.1 million of additions of capitalized software.

The decrease in additions of capitalized software from $10.1 million in fiscal 2005 to $3.2 million in fiscal 2006 mainly relates to next generation software that was developed in the Network Operations segment.

Net Cash Provided by (Used in) Financing Activities

Our net cash provided by financing activities in fiscal 2007 was $57.3 million compared to $5.8 million used in financing activities in fiscal 2006. The net cash provided by financing activities in fiscal 2007 came primarily from

$26.9 million in proceeds from the issuance of Class B common stock issued to Harris, $24.1 million in net cash and other transfers from Harris prior to the Stratex acquisition, $8.3 million in proceeds from the issuance of redeemable preference shares and $3.1 million in proceeds from the exercise of former Stratex options. Our short-term debt also increased by $1.0 million during fiscal 2007. We made $5.2 million in principal payments on our long-term debt during fiscal 2007.

Our net cash used in financing activities in fiscal 2006 was $5.8 million compared to net cash provided by financing activities in fiscal 2005 of $24.9 million, and primarily related to net cash transfers to and from Harris Corporation.

Sources of Cash

At June 29, 2007, our principal sources of liquidity consisted of $89.6 million in cash, cash equivalents, short-term investments and available for sale securities and $24.2 million of available credit under our $50 million credit facility.

Available Credit Facility and Repayment of Debt

We have $24.2 million of credit available against our $50 million revolving credit facility with a commercial bank as mentioned above. The total amount of revolving credit available is $50 million less the outstanding balance of the term loan portion and any usage under the revolving credit portion. The balance of the term loan portion of our credit facility was $19.5 million as of June 29, 2007 and there was $6.3 million outstanding in standby letters of credit as of that date, which are defined as usage under the revolving credit portion of the facility. There were no borrowings under the short-term debt portion of the facility as of June 29, 2007. As the term loans are repaid, additional credit will be available under the revolving credit portion of the facility.

Depending on the results of our operations and the growth of our business, we may require additional financing which may not be available to us in the required time frame on commercially reasonable terms, if at all. We are currently negotiating a new credit facility with major financial institutions. However, we believe that we have the financial resources needed to meet our business requirements for at least the next 12 months.

Our debt consisted of the following at June 29, 2007 and June 30, 2006:

	June 29, 2007	June 30, 2006
	(In millions)	
Credit Facility with Bank:		
Term Loan A	$ 5.7	$ 0.0*
Term Loan B	13.8	0.0*
Other short-term notes	1.2	0.2
Total	20.7	0.2
Less current portion and short-term notes	(11.9)	(0.2)
Long-term debt	$ 8.8	$ 0.0

* The debt balances assumed as a result of the Stratex acquisition were not our obligations as of June 30, 2006.

Term Loan A of the Credit Facility requires monthly principal payments of $0.5 million plus interest at a fixed rate of 6.38% through May 2008. Term Loan B requires monthly principal payments of $0.4 million plus interest at a fixed rate of 7.25% through March 2010.

At June 29, 2007, our future debt principal payment obligations were as follows:

	Years Ending in June (In millions)
2008	$11.9
2009	5.0
2010	3.8
Total	$20.7

Based on covenants included as part of the credit facility we have to maintain, as measured at the last day of each fiscal quarter, tangible net worth of at least $54 million plus (1) 25% of net income, as determined in accordance with U.S. GAAP (exclusive of losses) and (2) 50% of any increase to net worth due to subordinated debt or net equity proceeds from either public or private offerings (exclusive of issuances of stock under our employee benefit plans) for such quarter and all preceding quarters since December 31, 2005. We also have to maintain, as measured at the last day of each fiscal month, a ratio of not less than 1.25 determined as follows: (a) the sum of total unrestricted cash and cash equivalents plus short-term and long-term marketable securities plus 25% of all accounts receivable due to us minus certain outstanding bank services and reserve for foreign currency contract transactions divided by (b) the aggregate amount of outstanding borrowings and other obligations to the bank. As of June 29, 2007, we were in compliance with these financial covenants.

Restructuring and Severance Payments

We have a liability for restructuring activities totaling $18.6 million as of June 29, 2007, of which $10.8 million is classified as a current liability and expected to be paid out in cash over the next year. Additionally, we have recorded an $8.3 million liability as of June 29, 2007 for severance payments in connection with the Stratex acquisition, of which $4.3 million is classified as a current liability and expected to be paid out in cash over the next year. We anticipate recording an additional $2.2 million associated with the Montreal, France and Mexico City reductions in force during fiscal 2008.

Contractual Obligations

At June 29, 2007, we had contractual cash obligations for repayment of debt and related interest, purchase obligations to acquire goods and services, payments for operating lease commitments, obligations to Harris, 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	2008	2009 and 2010	2011 and 2012	After 2012
Long-term debt	$ 19.5	$ 10.7	$ 8.8	$ —	$ —
Interest on long-term debt	1.6	1.0	0.6	—	—
Purchase obligations(1)	23.6	23.6	—	—	—
Operating lease commitments	17.3	6.7	8.7	1.9	—
Amounts due to Harris Corporation	17.2	17.2	—	—	—
Capital lease obligation to Harris Corporation	5.9	3.1	1.6	1.2	0.0
Restructuring and severance liabilities	26.9	15.1	9.0	2.8	0.0
Redeemable preference shares(2)	8.3	—	—	—	8.3
Dividend requirements on redeemable preference shares(3)	9.5	1.0	2.0	2.0	4.5
Current liabilities on the balance sheet(4)	141.5	141.5	—	—	—
Total contractual cash obligations	$271.3	$219.9	$30.7	$7.9	$12.8

(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 June 29, 2007.

(3) The dividend rate is 12% and assumes no redemptions for five years from June 29, 2007.

(4) Includes short-term debt, accounts payable, liabilities for compensation, benefits and other accrued items and income taxes payable, less the current portion of severance liabilities included in other accrued items.

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 June 29, 2007, 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.

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 June 29, 2007, 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	2008	2009	2010	After 2010
			(In millions)		
Standby letters of credit used for:					
Bids	$ 3.1	$ 3.1	$ —	$ —	$ —
Down payments	0.1	0.1	—	—	—
Performance	10.4	8.6	1.5	0.3	—
Warranty	0.1	—	—	0.1	—
	13.7	11.8	1.5	0.4	—
Surety bonds used for:					
Bids	1.3	1.3	—	—	—
Performance	25.8	25.8	—	—	—
	27.1	27.1	—	—	—
Guarantees	0.5	0.4	—	—	0.1
Total commitments	$41.3	$39.3	$1.5	$0.4	$0.1

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 use foreign exchange contracts to hedge both balance sheet and off-balance sheet future foreign currency commitments. Generally, these foreign exchange contracts offset foreign currency denominated inventory and purchase commitments from suppliers; accounts receivable from, and future committed sales to, customers; and intercompany loans. We believe the use of foreign currency financial instruments should reduce the risks that arise from doing business in international markets. As of June 29, 2007, we had open foreign exchange contracts with a notional amount of $52.5 million, of which $15.1 million were designated as hedges under Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("Statement 133") and $37.4 million were not designated as Statement 133 hedges. That compares to total foreign exchange contracts with a notional amount of $19.4 million as of June 30, 2006, all of which were designated as Statement 133 hedges. The June 30, 2006 amounts include only the MCD business while the June 29, 2007 amounts include amounts assumed in the Stratex acquisition and other activity since January 26, 2007. As of June 29, 2007, contract expiration dates ranged from less than one month to three months with a weighted average contract life of

approximately one month. More specifically, the foreign exchange contracts designated as Statement 133 hedges have been used primarily to hedge currency exposures from customer orders denominated in non-functional currencies currently in backlog. As of June 29, 2007, we estimated that a pre-tax loss of less than $0.1 million would be reclassified into earnings from comprehensive income within the next six months related to these cash flow hedges. The net gain or loss included in our earnings in fiscal 2007, 2006 and 2005 representing the amount of fair value and cash flow hedges' ineffectiveness was not material. No amounts were recognized in our earnings in fiscal 2007, 2006 or 2005 related to the component of the derivative instruments' gain or loss excluded from the assessment of hedge effectiveness. All of these derivatives were recorded at their fair value on our consolidated balance sheet in accordance with Statement 133, "Accounting for Derivative Instruments and Hedging Activities." Factors that could impact the effectiveness of our hedging programs for foreign currency include accuracy of sales estimates, volatility of currency markets and the cost and availability of hedging instruments. A 10% adverse change in currency exchange rates would not have a material impact on our financial condition, cash flow or results of operations.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our cash equivalents, short-term investments, available for sale securities and bank debt.

Exposure on Cash Equivalents, Short-term Investments and Available for Sale Securities

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

We had $89.6 million in cash, cash equivalents, short-term investments and available for sale securities at June 29, 2007. Short-term investments and available for sale securities totaled $20.4 million as of June 29, 2007. As of June 29, 2007, short-term investments and available for sale securities had contractual maturities ranging from 1 month to 13 months.

The primary objective of our short-term investment activities is to preserve principal while maximizing yields, without significantly increasing risk. Our cash equivalents, short-term investments and available for sale securities 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, short-term investments and available for sale securities held as of June 29, 2007 was 82 days, and these investments had an average yield of 5.2% per annum.

As of June 29, 2007, unrealized losses on our investments were insignificant. Cash equivalents, short-term investments and available for sale securities have been recorded at fair value on our balance sheet.

Exposure on Borrowings

Any borrowings under the revolving portion of our credit facility will be at an interest rate of the bank's prime rate or the London Interbank Offered Rate ("LIBOR") plus 2%. As of June 29, 2007, we had $24.2 million of available credit. A hypothetical 10% change in interest rates would not have a material impact on our financial position, results of operations or cash flows since our interest on our long-term debt is fixed rate. Our short-term debt of $1.2 million at June 29, 2007 bears interest at a variable rate (14% at June 29, 2007). A hypothetical 10% change in interest rates would not 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 91% of our international business was transacted in local currency environments in fiscal 2007. The impact of translating the assets and liabilities of foreign operations to U.S. dollars is included as a component of shareholders' equity. At June 29, 2007, the cumulative translation adjustment increased shareholders' equity by less than $0.1 million compared to a reduction of $1.5 million as of June 30, 2006. We utilize foreign currency hedging instruments to minimize the currency risk of international transactions. Gains and losses resulting from currency rate fluctuations did not have a material effect on our results in fiscal 2007, 2006 or 2005.

Impact of Inflation

To the extent feasible, we have consistently followed the practice of adjusting prices to reflect the impact of inflation on salaries and fringe benefits for employees and the cost of purchased materials and services.

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 impacted 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 Policies and Use of Estimates

Use of Estimates

Our consolidated financial statements are prepared in accordance with U.S. GAAP, and the application of U.S. GAAP requires management to make estimates that affect our reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. In many instances, we could have reasonably used different accounting estimates. In other instances, changes in the accounting estimates from period to period are reasonably likely to occur. Accordingly, actual results could differ significantly from the estimates made by management. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation of our financial condition or results of operations may be affected.

On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, provision for doubtful accounts and sales returns, provision for inventory obsolescence, fair value of investments, fair value of acquired intangible assets and goodwill, useful lives of intangible assets and property and equipment, income taxes, restructuring obligations, product warranty obligations, and contingencies and litigation, among others. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We refer to accounting estimates of this type as "critical accounting estimates."

Critical Accounting Policies

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 in the Notes to Consolidated Financial Statements. In preparing our financial statements and accounting for the underlying transactions and balances, we apply our accounting policies and estimates as disclosed in the Notes. 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. Specific risks for these critical accounting estimates are described in the following paragraphs. The impact and any associated risks related to these estimates on our business operations are discussed throughout this MD&A where such estimates affect our reported and expected financial results. Senior

management has discussed the development and selection of the critical accounting policies and estimates and the related disclosure included herein with the Audit Committee of our Board of Directors. Preparation of this Annual Report on Form 10-K requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

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

Revenue includes product, services and software sales to end users, distributors, system integrators and OEMs.

Revenue primarily relates to product sales (other than for long-term contracts) and service arrangements, which are recognized in accordance with SEC Staff Accounting Bulletin (SAB) No. 104 "Revenue Recognition" ("SAB 104"), when persuasive evidence of an arrangement exists, the fee is fixed or determinable, collectibility is probable, delivery of a product has occurred and title and risk of loss has transferred or services have been rendered. Further, 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" under the requirements of Emerging Issues Task Force Issue 00-21 "Revenue Arrangements with Multiple Deliverables" ("EITF 00-21"). We recognize the revenue associated with each element separately. Such revenue, including products with installation services, is recognized as the revenue when each unit of accounting is earned based on the relative fair value of each unit of accounting. We defer the recognition of revenue for the fair value of installation services to the period in which the installation occurs.

Revenue recognition from long-term contracts is recorded on a percentage-of-completion basis, generally using 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. 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. Contracts are combined when specific aggregation criteria stated in the American Institute of Certified Public Accountant's ("AICPA") Statement of Position No. 81-1 "Accounting for Performance of Construction-Type and Certain Production-Type Contracts" ("SOP 81-1"), are met. 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.

Revenue recognition for the sale of software licenses is in accordance with the AICPA's Statement of Position 97-2 "Software Revenue Recognition" ("SOP 97-2"). Typically, our capitalized software sales do not have acceptance criteria in the contracts and proper documentation of Vendor Specific Objective Evidence ("VSOE") is obtained before revenue is allocated to the various elements of the arrangement in accordance with SOP 97-2.

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).

Provisions for Excess and Obsolete Inventory 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 reserve methodology used to establish our inventory loss reserves during the past three fiscal years.

As of June 29, 2007, our reserve for excess and obsolete inventory was $14.2 million, or 9.5% of the gross inventory balance, which compares to a reserve of $18.2 million, or 20.2% of the gross inventory balance as of June 30, 2006. In the first two quarters of fiscal 2006, we had significant write-downs in inventory due to the discontinuance of legacy products in the International microwave segment. The accuracy of our forecasts of future product demand, including the impact of planned future product launches, any significant unanticipated changes in demand or technological developments could have a significant impact on the value of our inventory and our reported operating results.

Goodwill and Intangible Assets

Under the provision of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("Statement 142"), we are required to perform an annual (or under certain circumstances more frequent) impairment test of our goodwill. Goodwill impairment is determined using a two-step process. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit, which we define as one of our business segments, with its net book value or carrying amount including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. The fair value of the reporting unit is allocated to all of the assets and liabilities of that unit, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. We have not made any material changes in the methodology used to determine the valuation of our goodwill or the assessment of whether or not goodwill is impaired during the past three fiscal years.

There are many assumptions and estimates underlying the determination of the fair value of a reporting unit. These assumptions include projected cash flows, discount rates, comparable market prices of similar businesses, recent acquisitions of similar businesses made in the marketplace and a review of the financial and market conditions of the underlying business. We completed impairment tests as of June 29, 2007, with no adjustment to the carrying value of goodwill. Goodwill on our consolidated balance sheet as of June 29, 2007 and June 30, 2006 was $323.6 million and $28.3 million, respectively. The accuracy of our estimate of the fair value of our reporting units

and future changes in the assumptions used to make these estimates could result in the recording of an impairment loss. A 10% decrease in our estimate of the fair value of the net assets acquired in the Stratex acquisition in our International microwave segment would lead to further tests for impairment as described above. A 10% decrease, however, in our estimate of our Network Operations and North American Microwave segments fair value would not lead to further tests for impairment as described above.

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.

Our consolidated balance sheet as of June 29, 2007 includes a current deferred tax asset of $4.1 million, a non-current deferred income tax asset of $0.5 million and a non-current deferred tax liability of $31.5 million. This compares to a net non-current deferred tax asset of $9.6 million as of June 30, 2006. For all jurisdictions for which we have deferred tax, 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, which is reflected in our consolidated balance sheet, was $96.9 million as of June 29, 2007 and $69.2 million as of June 29, 2006. The increase in valuation allowance from fiscal 2006 to fiscal 2007 is primarily due to us establishing a valuation allowance on the deferred tax assets acquired in the merger. The accuracy of our deferred tax assets, 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.

U.S. income taxes have not been provided on $6.4 million of undistributed earnings of foreign subsidiaries 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 carryforward as of June 29, 2007 have expiration dates ranging between one year and no expiration in certain instances. The amount of U.S. tax loss carryforwards was $108.0 million and credit carryforwards was $20.8 million as of June 29, 2007. The amount of foreign tax loss carryforwards was $24.0 million. The utilization of a portion of the net operating loss ("NOL") is subject to an annual limitation under Section 382 of the Internal Revenue Code due to a change of ownership. Income taxes paid were $6.6 million in fiscal 2007.

The effective tax rate in the fiscal year ended June 29, 2007 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, certain purchase accounting adjustments and foreign tax credits.

A deferred tax liability in the amount of $40.8 million has been recognized in accordance with Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" for the difference between the assigned values for purchase accounting purposes and the tax bases of the assets and liabilities acquired as a result of the Stratex acquisition. This resulted in a $40.8 million increase to goodwill. In addition, we also recorded a valuation allowance under purchase accounting on $94.0 million of acquired deferred tax assets in the opening balance sheet of Stratex Networks under purchase accounting. We have recorded the valuation allowance because we have determined that it was not more likely than not that the assets would be realized. Any realization of these deferred tax assets in the future will be reflected as a reduction to goodwill.

We have established our international headquarters in Singapore and have 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 certain that we will meet all requirements as outlined by EDB.

We have 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 the fiscal year ended June 29, 2007.

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. Accruals for tax contingencies are provided for in accordance with the requirements of Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies."

For periods prior to January 26, 2007, income tax expense has been determined as if we had been a stand-alone entity, although the actual tax liabilities and tax consequences applied only to Harris. Our income tax expense relates to income taxes paid or to be paid in international jurisdictions for which net operating loss carryforwards were not available and domestic taxable income is deemed offset by tax loss carryforwards for which an income tax valuation allowance had been previously provided for in the financial statements.

Impact of Recently Issued Accounting Pronouncements

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

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 Shareholders of Harris Stratex Networks, Inc.

We have audited the accompanying consolidated balance sheets of Harris Stratex Networks, Inc. and subsidiaries as of June 29, 2007 and June 30, 2006, and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss), and cash flows for each of the three years in the period ended June 29, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15(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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 Harris Stratex Networks, Inc. and subsidiaries at June 29, 2007 and June 30, 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 29, 2007 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.

/s/ Ernst & Young LLP

Raleigh, North Carolina
August 16, 2007

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Years Ended		
	June 29, 2007	June 30, 2006	July 1, 2005
	(In millions, except per share amounts)		
Revenue from product sales and services:			
Revenue from external product sales	$ 409.1	$ 299.1	$ 260.2
Revenue from product sales with Harris Corporation	1.9	6.5	3.1
Total revenue from product sales	411.0	305.6	263.3
Revenue from services:	96.9	51.9	47.1
Total revenue from product sales and services	507.9	357.5	310.4
Cost of product sales and services:			
Cost of external product sales	(281.2)	(222.7)	(181.5)
Cost of product sales with Harris Corporation	(1.3)	(7.4)	(3.7)
Total cost of product sales	(282.5)	(230.1)	(185.2)
Cost of services	(64.3)	(37.1)	(31.3)
Cost of sales billed from Harris Corporation	(5.4)	(5.3)	(4.3)
Amortization of purchased technology	(3.0)	—	—
Total cost of product sales and services	(355.2)	(272.5)	(220.8)
Gross margin	152.7	85.0	89.6
Research and development expenses	(39.4)	(28.8)	(28.0)
Selling and administrative expenses	(92.1)	(62.9)	(52.8)
Selling and administrative expenses with Harris Corporation	(6.8)	(5.6)	(6.0)
Total research, development, selling and administrative expenses	(138.3)	(97.3)	(86.8)
Acquired in-process research and development	(15.3)	—	—
Amortization of identifiable intangible assets	(7.5)	—	—
Restructuring charges	(9.3)	(3.8)	—
Corporate allocations expense from Harris Corporation	(3.7)	(12.4)	(6.2)
Operating loss	(21.4)	(28.5)	(3.4)
Interest income	1.8	0.5	0.9
Interest expense	(2.3)	(1.0)	(1.0)
Loss before provision for income taxes	(21.9)	(29.0)	(3.5)
Benefit (provision) for income taxes	4.0	(6.8)	(0.3)
Net loss	$ (17.9)	$ (35.8)	$ (3.8)
Basic and diluted net loss per common share	$ (0.72)	N/A	N/A
Basic and diluted weighted average shares outstanding	24.7	N/A	N/A

N/A — Prior to January 26, 2007, the Company was a division of Harris Corporation and there were no shares outstanding for purposes of loss per share calculations. Basic and diluted weighted average shares outstanding are calculated based on the daily outstanding shares, reflecting the fact that no shares were outstanding prior to January 26, 2007.

See accompanying Notes to Consolidated Financial Statements.

Annual Report

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 29, 2007	June 30, 2006
	(In millions, except share amounts)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 69.2	$ 13.8
Short-term investments and available for sale securities	20.4	—
Receivables	185.3	123.9
Unbilled costs	36.9	25.5
Inventories	135.7	71.9
Deferred income taxes	4.1	—
Other current assets	21.7	6.7
Total current assets	473.3	241.8
Long-Term Assets		
Property, plant and equipment	80.0	52.2
Goodwill	323.6	28.3
Identifiable intangible assets	144.5	6.4
Capitalized software	9.7	9.1
Non-current notes receivable	5.3	3.8
Non-current deferred income taxes	0.5	9.6
Other assets	1.2	1.4
	564.8	110.8
Total assets	$1,038.1	$352.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	$ 1.2	$ 0.2
Current portion of long-term debt	10.7	—
Accounts payable	84.7	42.1
Compensation and benefits	11.5	17.4
Other accrued items	44.7	16.9
Advance payments and unearned income	22.3	9.2
Income taxes payable	6.8	—
Restructuring liabilities	10.8	2.2
Current portion of long-term capital lease obligation to Harris Corporation	3.1	—
Due to Harris Corporation	17.2	—
Total current liabilities	213.0	88.0
Long-Term Liabilities		
Long-term debt	8.8	—
Long-term portion of capital lease obligation to Harris Corporation	2.8	—
Restructuring and other long-term liabilities	11.8	—
Redeemable preference shares	8.3	—
Warrants	3.9	—
Deferred income taxes	31.5	—
Due to Harris Corporation	—	12.6
Total liabilities	280.1	100.6
Commitments and contingencies		
Shareholders' Equity		
Preferred stock, $0.01 par value; 50,000,000 shares authorized; none issued	—	—
Common stock, Class A, $0.01 par value; 300,000,000 shares authorized; issued and outstanding 25,400,856 shares at June 29, 2007, none issued at June 30, 2006	0.3	—
Common stock, Class B $0.01 par value; 100,000,000 shares authorized; issued and outstanding 32,913,377 shares at June 29, 2007, none issued at June 30, 2006	0.3	—
Additional paid-in-capital	778.3	—
Division equity	—	253.4
Accumulated deficit	(20.9)	—
Accumulated other comprehensive loss	—	(1.4)
Total shareholders' equity	758.0	252.0
Total liabilities and shareholders' equity	$1,038.1	$352.6

See accompanying Notes to Consolidated Financial Statements.

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Years Ended		
	June 29, 2007	June 30, 2006	July 1, 2005
	(In millions)		
Operating Activities			
Net loss	$(17.9)	$(35.8)	$ (3.8)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Amortization of identifiable intangible assets acquired in the Stratex acquisition	25.8	—	—
Other noncash charges related to the Stratex acquisition	7.9	—	—
Depreciation and amortization of property, plant and equipment and capitalized software	14.5	15.7	14.6
Noncash stock-based compensation expense	3.9	—	—
Write-down of inventory	—	38.5	—
Increase in fair value of warrants	(0.6)	—	—
Gain on sale of land and building	—	(1.8)	—
Deferred income tax (benefit) expense	(10.9)	5.7	—
Changes in operating assets and liabilities, net of effects from acquisition:			
Receivables	(23.8)	(5.1)	0.2
Unbilled costs and inventories	(39.1)	(27.3)	(16.0)
Accounts payable and accrued expenses	10.1	18.0	(4.5)
Advance payments and unearned income	12.8	2.4	(5.0)
Due to Harris Corporation	4.6	(1.5)	(0.8)
Other	(0.4)	10.7	11.1
Net cash (used in) provided by operating activities	(13.1)	19.5	(4.2)
Investing Activities			
Proceeds from sale of land and building	—	4.6	—
Cash acquired from the Stratex acquisition, net of acquisition costs of $12.7 million	20.4	—	—
Purchases of short-term investments and available for sale securities	(30.7)	—	—
Sales of short-term investments and available for sale securities	35.8	—	—
Additions of property, plant and equipment	(8.3)	(9.6)	(9.3)
Additions of capitalized software	(2.9)	(3.2)	(10.1)
Net cash provided by (used in) investing activities	14.3	(8.2)	(19.4)
Financing Activities			
Proceeds from issuance of short-term debt	10.8	9.4	4.4
Payments on short-term debt	(9.8)	(10.2)	(9.1)
Proceeds from issuance of redeemable preference shares	8.3	—	—
Payments on long-term debt	(5.2)	—	—
Proceeds from issuance of Class B common stock to Harris Corporation	26.9	—	—
Proceeds from exercise of former Stratex stock options	3.1	—	—
Registration costs for Class A common stock issued in Stratex acquisition	(1.1)	—	—
Proceeds from exercise of former Stratex warrants	0.2	—	—
Net cash and other transfers from Harris Corporation prior to the Stratex acquisition	24.1	(5.0)	29.6
Net cash provided by (used in) financing activities	57.3	(5.8)	24.9
Effect of exchange rate changes on cash and cash equivalents	(3.1)	0.5	1.2
Net increase in cash and cash equivalents	55.4	6.0	2.5
Cash and cash equivalents, beginning of year	13.8	7.8	5.3
Cash and cash equivalents, end of year	$ 69.2	$ 13.8	$ 7.8
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	$ 2.0	$ 1.0	$ 0.9
Income taxes	6.6	1.1	0.2

See accompanying Notes to Consolidated Financial Statements.

Annual Report

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

	Common Stock Class A	Common Stock Class B	Additional Paid-in Capital	Division Equity	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
				(In millions)			
Balance at July 2, 2004	$ —	$ —	$ —	$ 268.3	$ —	$(21.8)	$246.5
Net loss	—	—	—	(3.8)	—	—	(3.8)
Foreign currency translation	—	—	—	—	—	7.7	7.7
Net unrealized gain on hedging activities, net of $0 tax	—	—	—	—	—	0.2	0.2
Comprehensive income							4.1
Net increase in investment from Harris Corporation	—	—	—	29.7	—	—	29.7
Balance at July 1, 2005	$ —	$ —	$ —	$ 294.2	$ —	$(13.9)	$280.3
Net loss	—	—	—	(35.8)	—	—	(35.8)
Foreign currency translation	—	—	—	—	—	12.7	12.7
Net unrealized loss on hedging activities, net of $0 tax	—	—	—	—	—	(0.2)	(0.2)
Comprehensive loss							(23.3)
Net decrease in investment from Harris Corporation	—	—	—	(5.0)	—	—	(5.0)
Balance at June 30, 2006	$ —	$ —	$ —	$ 253.4	$ —	$ (1.4)	$252.0
Net income for the period from July 1, 2006 through January 26, 2007	—	—	—	3.0	—	—	3.0
Net loss for the period from January 27, 2007 through June 29, 2007	—	—	—	—	(20.9)	—	(20.9)
Foreign currency translation	—	—	—	—	—	1.5	1.5
Net unrealized loss on hedging activities, net of $0 tax	—	—	—	—	—	(0.1)	(0.1)
Comprehensive loss							(16.5)
Net increase in investment from Harris Corporation	—	—	—	8.5	—	—	8.5
Return of capital to Harris Corporation	—	—	—	(14.4)	—	—	(14.4)
Reclassification of Division Equity to Additional Paid-in Capital on January 26, 2007	—	—	250.5	(250.5)	—	—	—
Issuance of Class B Common Stock to Harris Corporation (32,913,377 shares)	—	0.3	26.6	—	—	—	26.9
Issuance of Class A Common Stock to former Stratex Shareholders (24,782,153 shares)	0.3	—	477.3	—	—	—	477.6
Vested Stratex equity awards	—	—	15.5	—	—	—	15.5
Employee stock option exercises, net of $0 tax (324,181 shares)	—	—	3.1	—	—	—	3.1
Stock option tax benefits	—	—	0.3	—	—	—	0.3
Exercise of warrants	—	—	0.2	—	—	—	0.2
Compensatory stock awards (294,522 shares)	—	—	4.8	—	—	—	4.8
Balance at June 29, 2007	$0.3	$0.3	$778.3	$ —	$(20.9)	$ —	$758.0

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
At June 29, 2007 and June 30, 2006 and
For Each of the Three Years in the Period Ended June 29, 2007

Note A — Significant Business Development Activities, Basis of Presentation and Nature of Operations

Significant Business Development Activities — On January 26, 2007, Harris Stratex Networks, Inc. (the "Company," "HSTX," "Harris Stratex," "we," "us" and "our") completed its acquisition (the "Stratex acquisition") of Stratex Networks, Inc. ("Stratex") pursuant to a Formation, Contribution and Merger Agreement among Harris Corporation ("Harris"), Stratex, and Stratex Merger Corp., as amended and restated on December 18, 2006 and amended by letter agreement on January 26, 2007 (the "Combination Agreement"). On January 26, 2007, pursuant to the Combination Agreement, Stratex Merger Corp., a wholly-owned subsidiary of the Company, merged with and into Stratex with Stratex as the surviving corporation and a wholly-owned subsidiary of the Company (renamed as "Harris Stratex Networks Operating Corporation"). Concurrently with the merger of Stratex and Stratex Merger Corp. (the "merger"), Harris contributed the Microwave Communications Division ("MCD"), along with $32.1 million in cash (comprised of $26.9 million contributed on January 26, 2007 and $5.2 million held by the Company's foreign operating subsidiaries on January 26, 2007) to the Company (the "contribution transaction").

Pursuant to the merger with Stratex, each share of Stratex common stock was converted into one-fourth of a share of our Class A common stock. As a result of the transaction, 24,782,153 shares of our Class A common stock were issued to the former holders of Stratex common stock. In the contribution transaction, Harris contributed the assets of MCD, along with $32.1 million in cash, and in exchange, we assumed certain liabilities of Harris related to MCD and issued 32,913,377 shares of our Class B common stock to Harris. This contribution by Harris resulted in the reclassification of division equity totaling $250.5 million to additional paid-in capital at January 26, 2007. As a result of these transactions, Harris owned approximately 57% and the former Stratex shareholders owned approximately 43% of the total stock of our outstanding immediately following the closing. The Stratex acquisition has been accounted for as a purchase business combination.

Basis of Presentation — The consolidated financial statements include the accounts of Harris Stratex Networks, Inc. and its wholly-owned and majority owned subsidiaries. The results of operations and cash flows of Stratex are included in these consolidated financial statements since January 26, 2007, the date of acquisition. Significant intercompany transactions and accounts have been eliminated.

For periods prior to January 26, 2007, the accompanying consolidated financial statements include the accounts of the MCD and Harris subsidiaries classified as part of MCD, our financial reporting predecessor entity. These financial statements have been determined to be the historical financial statements of Harris Stratex Networks, Inc. As used in these notes, the term "MCD" refers to the consolidated operations of the Microwave Communications Division of Harris.

For periods prior to January 26, 2007, our historical financial statements are presented on a carve-out basis and reflect the assets, liabilities, revenue and expenses that were directly attributable to MCD as it was operated within Harris. Our consolidated statements of operations include all of the related costs of doing business, including an allocation of certain general corporate expenses of Harris, which were in support of MCD, including costs for finance, legal, treasury, purchasing, quality, environmental, safety, human resources, tax, audit and public relations departments and other corporate and infrastructure costs. We were allocated $3.7 million, $12.4 million and $6.2 million for fiscal 2007, 2006 and 2005. These costs represent approximately 6.1%, 16.7% and 10.2%, of the total cost of these allocated services in fiscal 2007, 2006 and 2005. These cost allocations were based primarily on a ratio of our sales to total Harris sales, multiplied by the total headquarters expense of Harris. During fiscal 2006, the corporate expense allocation included a $5.4 million charge for the settlement of an arbitration. The allocation of Harris overhead expenses concluded on January 26, 2007 and, accordingly, for the year ended June 29, 2007, seven months allocation was included. Management believes these allocations were made on a reasonable basis.

Nature of Operations — We design, manufacture and sell a broad range of microwave radios and scalable wireless network solutions for use in worldwide wireless communications networks. Applications include cellular/mobile infrastructure connectivity; secure data networks; public safety transport for state, local and federal

government users; and right-of-way connectivity for utilities, pipelines, railroads and industrial companies. In general, wireless networks are constructed using microwave radios and other equipment and network management solutions to connect cell sites, fixed-access facilities, switching systems, land mobile radio systems and other similar systems.

Note B — Significant Accounting Policies

Use of Estimates

Our 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 and assumptions. U.S. GAAP is primarily promulgated by the Financial Accountings Standards Board ("FASB") in the form of Statements of Financial Accounting Standards (referred to herein as "Statements") and Accounting Principles Board Opinions ("APBO") as well as guidance provided by the Securities and Exchange Commission ("SEC"). The preparation of these consolidated financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, provision for doubtful accounts, inventory reserves, fair value of acquired intangible assets and goodwill, useful lives of intangible assets and property and equipment, valuation allowances for deferred tax assets, software development costs, restructuring obligations, product warranty obligations, employee stock options, and contingencies and litigation, among others. We generally base our estimates on historical experience and on various other assumptions and considerations that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ significantly from the estimates made by us with respect to these and other items.

Fiscal Year

Our fiscal year ends on the Friday nearest June 30. Fiscal years 2007, 2006 and 2005 each included 52 weeks.

Reclassifications

Certain prior-year amounts have been reclassified on the accompanying consolidated financial statements to conform with current-year classifications. These reclassifications included reclassifying $0.4 million of software capitalized under the provisions of Statement of Position 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use ("SOP 98-1") prepared by the American Institute of Certified Public Accountants ("AICPA") from the caption "Other assets" to the caption "Property, plant and equipment" on our consolidated balance sheet as of June 30, 2006. We also reclassified $6.7 million from the caption "Other assets" to the caption "Other current assets" on our consolidated balance sheet at June 29, 2007.

Cash Equivalents

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 cost, which approximates fair value. We hold cash and cash equivalents at several major financial institutions, which often significantly exceed Federal Deposit Insurance Corporation ("FDIC")-insured limits. Historically, we have not experienced any losses due to such concentration of credit risk.

Short-Term Investments and Available for Sale Securities

We invest our excess cash in high-quality marketable securities to ensure that cash is readily available for use in our current operations. Investments with original maturities greater than three months are accounted for in accordance with Statement of Financial Accounting Standards No. 115 "Accounting for Certain Investments in Debt and Equity Securities" ("Statement 115") and are classified accordingly at the time of purchase. Accordingly, all of our marketable securities are classified as "available-for-sale" in accordance with the provisions of

Statement 115. We view our available-for-sale portfolio as available for use in our current operations. Accordingly, we have classified all investments in marketable securities as short-term, even though the stated maturity date may be one year or more beyond the current balance sheet date. All marketable securities are reported at fair market value with the related unrealized holding gains and losses reported as a component of accumulated other comprehensive loss.

At June 29, 2007, our investment in marketable securities consisted primarily of investment grade corporate notes and bonds with maturities up to 13 months and investment grade auction rate preferred stock with final maturities up to 30 years or more. The auction rate preferred stock have characteristics similar to short-term investments, because at pre-determined levels, generally ranging from 28 to 49 days, there is a new auction process at which the interest rates for these Auction Rate Securities ("ARS") are reset to current interest rates. At the end of such period, we choose to roll-over our holdings or redeem the investments for cash. A "market maker" facilitates the redemption of the ARS and the underlying issuers are not required to redeem the investment within 90 days. All of these short-term investments were classified as available-for-sale and reported at fair value. Due to the frequent nature of the reset feature, the investment's market price approximates its fair value; therefore, there are no significant realized or unrealized gains or losses associated with these investments. Any unrealized gains or losses are reported as a component of accumulated other comprehensive loss. When a marketable security is sold, the realized gain or loss is determined using the specific identification method. During fiscal 2007, realized losses from sales of marketable securities were less than $0.1 million. See Note E *Short-Term Investments and Available for Sale Securities* for additional information.

Accounts Receivable

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. See Note G *Receivables* for additional information.

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 inventory reserves for excess and obsolete inventory based primarily on our estimated forecast of product demand and production requirements. Inventory reserves are measured as the difference between the cost of the inventory and 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 H *Inventories* for additional information.

Significant Concentrations

Financial instruments that potentially subject us to a concentration of credit risk consist principally of short-term investments and available for sale securities, trade accounts receivable and financial instruments used in foreign currency hedging activities. We invest our excess cash primarily in money market instruments, government securities, corporate bonds and auction rate securities. We are exposed to credit risks related to our short-term investments and available for sale securities in the event of default or decrease in credit-worthiness of one 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.

We had revenue from a single external customer that exceeded 10% of total revenue during fiscal 2006. During fiscal 2006, that customer was in Nigeria and accounted for 15.1% of total revenue. There was no single customer in fiscal 2007 or 2005 that accounted for more than 10% of total revenue.

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.

Income Taxes

We account for income taxes under the asset and liability method in accordance with Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" ("Statement 109"). 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 the 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.

For periods prior to January 26, 2007, income tax expense was determined as if we had been a stand-alone entity, although the actual tax liabilities and tax consequences applied only to Harris. We have incurred income tax expense which relates to income taxes paid or to be paid in international jurisdictions for which net operating loss carryforwards were not available. Domestic taxable income is offset by tax loss carryforwards for which an income tax valuation allowance had been previously provided for in the financial statements. See Note Q *Income Taxes* for additional information regarding income taxes.

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.

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	7 to 45 years
Software developed for internal use	1 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. See Note I *Property, Plant and Equipment* for additional information.

Capitalized Software

Software to be sold, leased, or otherwise marketed is accounted for in accordance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed" ("Statement 86"). Costs incurred to acquire or create a computer software product must be expensed when incurred as research and development until technological feasibility has been established for the product. Technological feasibility is normally established upon completion of a detailed program design or, in its absence, completion of a working model.

Total amortization expense related to capitalized software under Statement 86 was $2.3 million in fiscal 2007, $1.6 million in fiscal 2006 and $1.5 million in fiscal 2005.

Identifiable Intangible Assets and Goodwill

We account for our business combinations in accordance with Statement of Financial Accounting Standards No. 141 "Business Combinations" ("Statement 141") and the related acquired intangible assets and goodwill in accordance with Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" ("Statement 142"). Statement 141 specifies the accounting for business combinations and the criteria for recognizing and reporting intangible assets apart from goodwill.

We record the assets acquired and liabilities assumed in business combinations 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, and approximating the useful lives of the intangible assets acquired.

Statement 142 requires that intangible assets with an indefinite life should not be amortized until their life is determined to be finite, and all other intangible assets must be amortized over their useful lives. We are currently amortizing our acquired intangible assets with definite lives over periods ranging from less than one to ten years. Statement 142 also requires that goodwill not be amortized but instead be tested for impairment in accordance with the provisions of Statement 142 at least annually and more frequently upon the occurrence of certain events (see "Impairment of Long-Lived Assets" below). See Note D *Business Combination — Acquisition of Stratex Networks, Goodwill and Identifiable Intangible Assets* for a further discussion of our intangible assets and goodwill.

Impairment of Long-Lived Assets

We test goodwill for impairment in accordance with Statement 142. Statement 142 requires that goodwill be tested for impairment at the reporting unit level at least annually and more frequently upon the occurrence of certain events, as defined by Statement 142. We have determined that we have three reporting units, consisting of: (i) our North America Microwave segment; (ii) our International Microwave segment; and (iii) our Network Operations segment. Goodwill is tested for impairment annually at our fiscal year-end 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 discounted cash flows or market multiples based on revenue), which would indicate a potential impairment of goodwill associated with that reporting unit. If we determine that a potential impairment of goodwill exists, we then compare the implied fair value of the goodwill associated with the respective reporting unit, to its carrying amount to determine if there is an impairment loss.

In accordance with Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("Statement 144"), we evaluate long-lived assets, including intangible assets other than goodwill, 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.

We have not recorded any impairment losses on long-lived assets in fiscal 2007, 2006 or 2005. See Note D *Business Combination — Acquisition of Stratex Networks, Goodwill and Identifiable Intangible Assets* and Note I *Property, Plant and Equipment* for additional information regarding long-lived assets.

Other Accrued Items and Other Assets

No accrued liabilities or expenses within the caption "Other accrued items" on our consolidated balance sheets exceed 5% of our total current liabilities as of June 29, 2007 or as of June 30, 2006. "Other accrued items" on our consolidated balance sheets 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 June 29, 2007 or as of June 30, 2006. No assets within the caption "Other assets" on the consolidated balance sheets exceed 5% of total assets as of June 29, 2007 or as of June 30, 2006.

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.

Because in many cases our products are manufactured to customer specifications and their acceptance is based on meeting those specifications, we historically have not experienced significant warranty costs. 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 either to provide a corrected copy of any portion of the software found not to be in substantial compliance with the agreed-upon specifications, or to provide a full refund.

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 June 29, 2007, we have 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 K *Accrued Warranties* for additional information regarding warranties.

Capital Lease Obligation and Operating Leases

Prior to January 26, 2007, MCD used certain assets in Canada owned by Harris that were not contributed to us as part of the Combination Agreement. We continue to use these assets in our business and we entered into a 5-year lease agreement to accommodate this use. That lease agreement is considered a capital lease under generally accepted accounting principles. At June 29, 2007, our lease obligation to Harris was $5.9 million and the related asset amount was included in our Property, plant and equipment. Quarterly lease payments are due to Harris based on the amount of 103% of Harris' annual depreciation calculated in accordance with U.S. generally accepted accounting principles. Of the $5.9 million lease obligation, $3.1 million has been classified as current in our consolidated balance sheet.

We lease office and manufacturing facilities 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.

Liability for Warrants

We account for our warrants in accordance with Emerging Issues Task Force ("EITF") Issue No. 00-19 "Accounting for Derivative Financial Instruments Indexed to and Potentially Settled in a Company's Own Stock" ("EITF 00-19") which requires warrants to be classified as permanent equity, temporary equity or as assets or liabilities. In general, warrants that either require net-cash settlement or are presumed to require net-cash settlement are recorded as assets and liabilities at fair value and warrants that require settlement in shares are recorded as equity instruments. Our warrants are classified as liabilities because they include a provision that specifies that we must deliver freely tradable shares upon exercise by the warrant holder. Because there are circumstances, irrespective of likelihood, that may not be within our control that could prevent delivery of registered shares, EITF 00-19 requires the warrants be recorded as a liability at fair value, with subsequent changes in fair value recorded as income or loss in our consolidated statements of operations. The fair value of our warrants is determined using a Black-Scholes option pricing model, and is affected by changes in inputs to that model including our stock price, expected stock price volatility and contractual term.

Foreign Currency Translation

The functional currency of our subsidiaries located in the United Kingdom, Mexico and New Zealand is the U.S. dollar. 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 loss.

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.

Gains and losses resulting from foreign exchange transactions and the costs of foreign currency contracts are included in "Cost of product sales" in the accompanying consolidated statements of operations. Net foreign exchange gains or losses recorded in our statements of operations in fiscal 2007, 2006 and 2005 were not material.

Related Party Transactions

See Note R — *Related Party Transactions with Harris* for a description of our related party transactions with Harris.

Retirement Benefits

As of June 29, 2007, we provide retirement benefits to substantially all employees primarily through our defined contribution retirement plan, and prior to January 27, 2007 we provided these benefits through Harris' defined contribution retirement plan. These plans have profit sharing, 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 our plan at our discretion.

Prior to January 27, 2007, retirement benefits also include an unfunded limited healthcare plan for U.S.-based retirees and employees on long-term disability. Harris has assumed this liability and responsibility for these benefits. Prior to January 27, 2007, we accrued the estimated cost of these medical benefits, which were not material, during an employee's active service life.

Retirement plan expense amounted to $5.4 million, $8.4 million and $7.1 million in fiscal 2007, 2006 and 2005.

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 commercial paper issuances, bond financings 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 limited to two years or less. As of June 29, 2007, 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 letter 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 June 29, 2007, we had commercial commitments of $41.3 million outstanding, none of which are accrued for in our consolidated balance sheets.

We account for guarantees in accordance with Financial Accounting Standards Board Interpretation No. 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("Interpretation No. 45"). Interpretation 45 elaborates on the disclosures required in financial statements concerning obligations under certain guarantees. It also clarifies the requirements related to the recognition of liabilities by a guarantor at the inception of certain guarantees. The provisions related to recognizing a liability at inception of the guarantee do not apply to product warranties or indemnification provisions in our software license agreements.

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: i) we have not received any notice that any customer is subject to an infringement claim arising from the use of our software products, ii) we have not received any request to defend any customers from infringement claims arising from the use of our software products, and iii) 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. However, we reasonably believe these indemnification provisions will not have a material adverse effect on our operating performance, financial condition or cash flows. As of June 29, 2007, we have 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 ninety 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.

Derivative Instruments and Risk Management

Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("Statement 133") and its related amendments, require us to recognize all derivatives on our consolidated balance sheet at fair value. Derivatives that are not designated as Statement 133 hedges must be adjusted to fair value through income. If the derivative is designated as a Statement 133 hedge, depending on the nature of the hedge, changes in the fair value of the derivative are either offset against the change in fair value of assets, liabilities or firm commitments through earnings or recognized in other comprehensive loss until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

We manufacture and sell products internationally, subjecting us to currency risk. Derivatives are employed to eliminate, reduce, or transfer selected foreign currency risks that can be identified and quantified. The primary business objective of this hedging program is to minimize the gains and losses resulting from exchange rate changes. Our policy is to hedge forecasted and actual foreign currency risk with forward contracts that expire within twelve months. However, foreign currency contracts to hedge exposures are not available in certain currencies in which we have exposures, such as the Nigerian naira. Specifically, we hedge foreign currency risks relating to firmly committed backlog, open purchase orders and non-functional currency monetary assets and liabilities. The objective of these contracts is to reduce or eliminate, and efficiently manage, the economic impact of currency exchange rate movements on our operating results as effectively as possible. These contracts require us to exchange currencies at rates agreed upon at the contract's inception. These contracts reduce the exposure to fluctuations in exchange rate movements because the gains and losses associated with foreign currency balances and transactions are generally offset with the gains and losses of the foreign exchange contracts. Derivatives hedging non-functional currency monetary assets and liabilities not designated as Statement 133 hedges are recorded on the balance sheet at fair value and changes in fair value are recognized currently in earnings.

As stated above, we generally hedge forecasted non-U.S. dollar sales and non-U.S. dollar purchases. In accordance with Statement 133, hedges of anticipated transactions, including our firmly committed backlog and open purchase orders, are designated and documented at inception as "cash flow hedges" and are evaluated for effectiveness, excluding time value, at least quarterly. We record effective changes in the fair value of these cash flow hedges in accumulated other comprehensive income (loss) until the revenue is recognized or the related purchases are recognized in cost of sales, at which time the changes are reclassified to revenue and cost of product sales. There was less than $0.1 million in accumulated other comprehensive loss at June 29, 2007 that will be reclassified to operations within the next 12 months.

We are exposed to credit losses in the event of non-performance by counterparties to these financial instruments, but we do not expect any of the counterparties to fail to meet their obligations. To manage credit risks, we select counterparties based on credit ratings, limit our exposure to a single counterparty under defined guidelines and monitor the market position with each counterparty. In the event of the termination of a derivative designated as a hedge, the settlement would be charged to our consolidated statements of operations as a component of "Interest income" or Interest Expense."

Revenue Recognition

Revenue includes product, services and software sales to end users, distributors, system integrators and original equipment manufacturers (OEM).

Revenue primarily relates to product sales (other than for long-term contracts) and service arrangements, which are recognized in accordance with SEC Staff Accounting Bulletin (SAB) No. 104 "Revenue Recognition" ("SAB 104"), when persuasive evidence of an arrangement exists, the fee is fixed or determinable, collectibility is probable, delivery of a product has occurred and title and risk of loss has transferred or services have been rendered. Further, 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" under the requirements of Emerging Issues Task Force Issue 00-21 "Revenue Arrangements with Multiple Deliverables" ("EITF 00-21"). We recognize the revenue associated with each element separately. Such revenue, including products with installation services, is recognized as the revenue when each unit of accounting is earned based on the relative fair value of each unit of accounting. We defer the recognition of revenue for the fair value of installation services to the period in which the installation occurs.

Revenue recognition from long-term contracts is recorded on a percentage-of-completion basis, generally using 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. 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. Contracts are combined when specific aggregation criteria stated in the AICPA's Statement of Position No. 81-1 "Accounting for

Performance of Construction-Type and Certain Production-Type Contracts" ("SOP 81-1"), are met. 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.

Revenue recognition for the sale of software licenses is in accordance with the AICPA's Statement of Position 97-2 "Software Revenue Recognition" ("SOP 97-2"). Typically, our capitalized software sales do not have acceptance criteria in the contracts and proper documentation of Vendor Specific Objective Evidence ("VSOE") is obtained before revenue is allocated to the various elements of the arrangement in accordance with SOP 97-2.

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).

Stock Options and Share-Based Compensation

Prior to the July 2, 2005 start of our fiscal year 2006, we accounted for share-based compensation granted under our stock incentive plans under the recognition and measurement provisions of APB 25 "Accounting for Stock Issued to Employees", and related interpretations ("APB 25"). In accordance with APB 25, we used the intrinsic-value method of accounting for stock option awards to employees and accordingly did not recognize compensation expense for our stock option awards to employees in our consolidated statements of operations prior to the start of our fiscal year 2006, as all option exercise prices were 100% of fair market value of the related shares on the date the options were granted. Effective July 2, 2005, we implemented Statement of Financial Accounting Standards No. 123(R) "Share-Based Payment" ("Statement 123R") for all share-based compensation, including share-based compensation that was not vested as of the end of our fiscal year 2005. In accordance with Statement 123R we measure compensation cost for all share-based payments (including employee stock options) at fair value and recognize cost over the vesting period. See Note O *Stock Options and Share-Based Compensation*, for additional information regarding stock options, performance shares and restricted shares.

Effective July 2, 2005, we account for our employee share-based compensation plans using the fair value method, as prescribed by Statement 123R. Accordingly, 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 and employee stock purchase plan shares, we currently 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 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 or restricted stock unit awards, we measure the grant date fair value based upon the market price of our common stock on the date of the grant and amortize this fair value to compensation expense over the requisite service period or vesting term.

Statement 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. Forfeitures were estimated based on the historical experience at Stratex for those options assumed, and on the historical experience at Harris for our employees that were formerly at MCD. For our fiscal 2007 awards, we estimated the forfeiture rate based on the grantee population which is only at a director level and above which we expect to be 5%. We expect forfeitures to be 8% annually for the Stratex options assumed. Share-based compensation expense was recorded net of estimated forfeitures for fiscal 2007 such that expense was recorded only for those share-based awards that are expected to vest.

Statement 123R also requires that cash flows 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 be 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. Total cash flows remain unchanged from what would have been reported prior to the adoption of Statement 123R.

Effect of Adopting Statement 123R

The following table illustrates the pro forma effect on net loss for fiscal 2005 assuming we had applied the fair value recognition provisions of Statement 123R to all previously granted share-based awards after giving consideration to potential forfeitures during such periods. The fair value of each option grant is estimated at the grant date using the Black-Scholes-Merton option-pricing model based on the assumptions listed below under "Harris Stock Options." The estimated fair value of options granted is amortized to expense over their vesting period, which is generally three years.

	2005
	(In millions)
Net loss, as reported	$(3.8)
Share-based employee compensation cost included in net loss as reported, net of $0 tax benefit	0.8
Deduct: Total share-based employee compensation expense determined under the fair value based method for all awards, net of $0 related tax benefit	(1.2)
Pro forma net loss	$(4.2)

The impact of applying the provisions of Statement 123R and SAB 107 during fiscal 2006 was as follows:

	2006
	(In millions)
Net loss, as reported	$(35.8)
Share-based employee compensation cost included in net loss as reported, net of $0 related tax benefit	1.7
Deduct: Total share-based employee compensation cost determined under the provisions of APB 25, net of $0 related tax benefit	(1.6)
Pro forma net loss	$(35.7)

Earnings (Loss) per Share

We determine earnings (loss) per share in accordance with Statement of Financial Accounting Standards No. 12, "Earnings per Share." Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding for the applicable period. Prior to January 26,

2007, we were a division of Harris and there were no shares outstanding for purposes of earnings (loss) calculations. Basic and diluted weighted average shares outstanding are calculated based on the daily outstanding shares, reflecting the fact that no shares were outstanding prior to January 26, 2007. Diluted earnings (loss) per share is determined in the same manner as basic earnings (loss) per share except that the number of shares is increased to assume exercise of potentially dilutive stock options and warrants using the treasury stock method, unless the effect of such increase would be anti-dilutive. Under the treasury stock method, the amount the employee must pay for exercising stock options, the amount of compensation cost for future service that we have not yet recognized, and the amount of tax benefits that would be recorded in additional paid-in capital when the award becomes deductible are assumed to be used to repurchase shares. For fiscal 2007, the diluted loss per share amounts equal the basic loss per share amounts because we reported a net loss and as such, the impact of the assumed exercise of stock options and warrants would have been anti-dilutive.

Restructuring and Related Expenses

We account for restructuring and related expenses in accordance with Statement of Financial Accounting Standards No. 146 "Accounting for Costs Associated with Exit or Disposal Activities" ("Statement 146"). Statement 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, as opposed to when management commits to an exit plan. Statement 146 also requires that (i) liabilities associated with exit and disposal activities be measured at fair value; (ii) one-time termination benefits be expensed 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; (iii) liabilities related to an operating lease/contract be recorded 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); and (iv) all other costs related to an exit or disposal activity be expensed as incurred. We account for severance costs in accordance with Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits." The severance benefits provided as part of restructurings are part of an ongoing benefit arrangement, and accordingly, we have accrued 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.

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. In connection with business combinations, the purchase price allocated to research and development projects that have not yet reached technological feasibility and for which no alternative future use exists is charged to operations in the period of acquisition. We present research and development expenses and acquired in-process research and development costs as separate line items in our consolidated statements of operations.

Customer-sponsored research and development costs are incurred pursuant to contractual arrangements and are accounted for principally by the percentage-of-completion method. There was no customer-sponsored research and development in fiscal 2007, 2006 or 2005.

Segment Information

We disclose information concerning our operating segments in accordance with Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information" ("Statement 131"). Statement 131 established annual and interim reporting standards for an enterprise's operating segments and related disclosures about geographic information and major customers. We are organized into three operating segments around the markets we serve: North America Microwave, International Microwave and Network Operations. The North America Microwave segment designs, manufactures, sells and services microwave radio products, primarily for cellular network providers and private network users within North America (U.S.,

Canada and the Caribbean). The International Microwave segment designs, manufactures, sells and services microwave radio products, primarily for cellular network providers and private network users outside of North America. The Network Operations segment develops, designs, produces, sells and services network management software systems, primarily for cellular network providers and private network users worldwide.

Our Chief Executive Officer is the Chief Operating Decision-Maker (CODM) as defined by Statement 131. 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 Microwave and International Microwave 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.

Note C — Recent Accounting Pronouncements

Calculating the Pool of Excess Tax Benefits Related to Share-Based Compensation

In November 2005, the FASB issued FASB Staff Position (“FSP”) FAS 123(R)-3, “Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards” (“FSP 123R-3”). FSP 123R-3 provides a simplified alternative method to calculate the beginning pool of excess tax benefits against which excess future deferred tax assets (that result when the compensation cost recognized for an award exceeds the ultimate tax deduction) could be written off under Statement 123R. The guidance in FSP 123R-3 was effective on November 10, 2005. We determined not to make the one-time election to adopt the alternative transition method described in FSP 123R-3. We have implemented the provisions of Statement 123R following the guidance for calculating the pool of excess tax benefits described in paragraph 81 of Statement 123R and the guidance related to reporting cash flows described in paragraph 68 of Statement 123R. Our determination not to adopt the alternative transition method described in FSP 123R-3 did not have a material impact on our consolidated financial position, results of operations or cash flows.

Presentation of Taxes Collected from Customers and Remitted to Governmental Authorities

In March 2006, the FASB ratified the EITF’s Issue 06-3, “How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (that is, Gross versus Net Presentation)” (“Issue 06-3”). The Task Force reached a conclusion that the presentation of taxes such as sales, use, value added, and excise taxes on either a gross (included in revenue and costs) or a net (excluded from revenue and costs) basis is an accounting policy decision that should be disclosed by a company. In addition, a company should disclose the amounts of those taxes such as sales, use, value added, and excise taxes that are reported on a gross basis in interim and annual financial statements for each period for which an income statement is presented if those amounts are significant. The provisions of Issue 06-3 were effective for interim and annual reporting periods that began after December 15, 2006. Our early adoption and implementation of the provisions of Issue 06-3 did not have a material impact on our consolidated financial position, results of operations or cash flows.

Accounting for Uncertain Tax Positions

In June 2006, the FASB issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement 109” (“FIN 48”). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with Statement 109. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years that begin after December 15, 2006, which for us will be our fiscal 2008. We are currently evaluating the impact FIN 48 will have on our consolidated financial position, results of operations and cash flows.

Fair Value Measurements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("Statement 157"). Statement 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. Statement 157 applies under other accounting pronouncements that require fair value measurement in which the FASB concluded that fair value was the relevant measurement, but does not require any new fair value measurements. Statement 157 will be effective for us beginning in fiscal 2009. We are currently evaluating the impact Statement 157 will have on our consolidated financial position, results of operations and cash flows.

Accounting for Pensions and Other Postretirement Plans

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" ("Statement 158"), which amends FASB Statements No. 87, "Employers' Accounting for Pensions;" No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits;" No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions;" and No. 132(R), "Employers' Disclosures about Pension and Other Postretirement Benefits." Statement 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through the comprehensive income of a business entity. Statement 158 also requires an employer to measure the funded status of a plan as of the date of the employer's year-end balance sheet, with limited exceptions. The portion of Statement 158 that requires the recognition of overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability is effective for us as of June 29, 2007. The portion of Statement 158 that requires an employer to measure the funded status of a plan as of the date of the employer's year-end balance sheet will be effective for us as of July 3, 2009. We adopted the portion of Statement 158 that was effective for us as of June 29, 2007 and it did not have an effect on our financial position, results of operations or cash flows.

Materiality

In September 2006, the SEC issued Staff Accounting Bulletin No. 108 "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 expresses the SEC's views regarding the process of quantifying misstatements in financial statements. The view of the SEC is that the effects of prior year errors in the balance sheet must be taken into account for the current year income statement financial reporting. We implemented the provisions of SAB 108 during the first quarter of fiscal 2007 and it did not have a material impact on our consolidated financial position, results of operations or cash flows.

Fair Value Accounting for Financial Assets and Financial Liabilities

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("Statement 159"). Statement 159 allows companies to voluntarily choose, at specified election dates, to measure many financial assets and financial liabilities at fair value (the "fair value option"). The election is made on an instrument-by-instrument basis and is irrevocable. If the fair value option is elected for an instrument, all unrealized gains or losses in fair value for that instrument shall be reported in earnings at each subsequent reporting date. Statement 159 is effective for fiscal years that begin after November 15, 2007, which for us will be our fiscal 2009. We are currently evaluating the impact Statement 159 will have on our consolidated financial position, results of operations and cash flows.

Note D — Business Combination — Acquisition of Stratex Networks, Goodwill and Identifiable Intangible Assets

On January 26, 2007, we completed our acquisition of Stratex pursuant to the Combination Agreement. Pursuant to the acquisition, each share of Stratex common stock was converted into one-fourth of a share of our Class A common stock. As a result of the transaction, 24,782,153 shares of our Class A common stock were issued to the former holders of Stratex common stock. In the contribution transaction, Harris contributed the assets of MCD, along with $32.1 million in cash (comprised of $26.9 million contributed on January 26, 2007 and $5.2 million held by the Company's foreign operating subsidiaries on January 26, 2007) and, in exchange we assumed certain liabilities of Harris related to MCD and issued 32,913,377 shares of our Class B common stock to Harris. As a result of these transactions, Harris owned approximately 57% of our outstanding stock and the former Stratex shareholders owned approximately 43% of our outstanding stock immediately following the closing.

We completed the Stratex acquisition to create a leading global communications solutions company offering end-to-end wireless transmission solutions for mobile and fixed-wireless service providers and private networks.

The Stratex acquisition was accounted for as a purchase business combination. Total consideration paid by us was approximately $493.1 million as summarized in the following table:

Calculation of Allocable Purchase Price	January 26, 2007
	(In millions)
Value of Harris Stratex Networks shares issued to Stratex Networks stockholders	$464.9
Value of Stratex Networks vested options assumed	15.5
Acquisition costs	12.7
Total allocable purchase price	$493.1

The table below represents the preliminary allocation of the total consideration to the purchased tangible, identifiable intangible assets and goodwill and liabilities based on management's assessment of their respective fair values as of the date of acquisition.

Balance Sheet as of the Acquisition Date

	(In millions)
Cash, cash equivalents, short-term investments and available for sale securities	$ 58.6
Accounts and notes receivable	39.1
Inventories	44.2
In-process research and development	15.3
Identifiable intangible assets	149.5
Goodwill	293.9
Property, plant and equipment	33.0
Other assets	11.1
Total assets	$644.7
Current portion of long-term debt	$ 11.3
Accounts payable and accrued expenses	55.0
Advance payments and unearned income	0.3
Income taxes payable	9.2
Liability for severance payments	7.9
Long-term debt	13.4
Deferred tax liabilities	41.3
Long-term restructuring liabilities	8.7
Warrants	4.5
Common stock and additional paid-in capital	493.1
Total liabilities and shareholders' equity	$644.7

Included in the liabilities assumed as presented in the table above were $7.9 million in severance and related costs for certain Stratex employees.

The following table summarizes the allocation of estimated identifiable intangible assets resulting from the acquisition. For purposes of this allocation, we have assessed a fair value of Stratex identifiable intangible assets related to customer contracts, customer relationships, employee covenants not to compete, developed technology and tradenames 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 $15.3 million, which we have reflected in "Acquired in-process research and development" expense in the accompanying fiscal 2007 consolidated statements of operations. This represents certain technologies under development, primarily related to the next generation of the Eclipse product line. We estimated that the technologies

under development were approximately 50% complete at the date of acquisition. We expect to incur up to an additional $3.4 million to complete this development, with completion expected in late calendar 2007.

	Expense Type	Estimated Useful Life (Years)	Total
			(In millions)
Developed technology	Cost of product sales and services	10	$ 70.1
Stratex trade name	Engineering, selling and administrative	Indefinite	33.0
Other tradenames	Engineering, selling and administrative	5	11.4
Customer relationships	Engineering, selling and administrative	4 to 10	28.8
Contract backlog	Engineering, selling and administrative	0.4	4.3
Non-competition agreements	Engineering, selling and administrative	1	1.9
Total identifiable intangible assets			$149.5

The Stratex acquisition has been accounted for using the purchase method of accounting. Accordingly, the Stratex results of operations have been included in the consolidated statements of operations and cash flows since the acquisition date of January 26, 2007 and are included almost entirely in our International Microwave segment. The purchase price allocation is preliminary and until January 25, 2008, additional information could come to our attention that may require us to further revise the purchase price allocation in connection with the Stratex acquisition. 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 Stratex market presence and leading position, its growth opportunity in the markets in which it operated, and its experienced work force and established operating infrastructure.

In accordance with Statement 142, goodwill will not be amortized but will be tested for impairment at least annually. The goodwill resulting from the Stratex acquisition is not deductible for tax purposes. We obtained the assistance of independent valuation specialists to assist us in determining the allocation of the purchase price for the Stratex acquisition.

The acquired identifiable intangible assets and their respective book values as of June 29, 2007 are shown in the table below (in millions):

	Developed Technology	Tradenames	Customer Relationships	Contract Backlog	Non Compete Agreements	Total
Initial fair value	$70.1	$44.4	$28.8	$ 4.3	$ 1.9	$149.5
Accumulated amortization	(2.9)	(1.0)	(1.4)	(4.3)	(0.8)	(10.4)
Net identifiable intangible assets	$67.2	$43.4	$27.4	$ 0.0	$ 1.1	$139.1

Pro Forma Results

The following summary, prepared on a pro forma basis, presents unaudited consolidated results of operations as if Stratex Networks 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.

	2007	2006
	(In millions, except per share data)	
Revenue from product sales and services — as reported	$507.9	$357.5
Revenue from product sales and services — pro forma	$653.7	$599.8
Net loss — as reported	$ (17.9)	$ (35.8)
Net loss — pro forma	$ (30.3)	$ (76.9)
Net loss per diluted common share — as reported	$ (0.72)	$ N/A
Net loss per diluted common share — pro forma	$ (0.52)	$ (1.33)

The pro forma results are not necessarily indicative of our results of operations had we owned Stratex Networks for the entire periods presented.

Summary of Goodwill

Goodwill on the consolidated balance sheets in our North America Microwave and International Microwave segments totaled $323.6 million and $28.3 million at the end of fiscal 2007 and 2006. There was no goodwill in our Network Operations segment. Changes in the carrying amount of goodwill for the fiscal years ended June 29, 2007 and June 30, 2006 by segment were as follows:

	2007			2006		
	North America	International	Total	North America	International	Total
	(In millions)			(In millions)		
Balance at beginning of year	$1.9	$ 26.4	$ 28.3	$1.9	$24.2	$26.1
Goodwill acquired in the Stratex acquisition	—	293.9	293.9	—	—	—
Translation adjustments related to acquisitions in prior years	—	1.4	1.4	—	2.2	2.2
Total	$1.9	$321.7	$323.6	$1.9	$26.4	$28.3

Summary of Identifiable Intangible Assets

In addition to the identifiable intangible assets from the Stratex acquisition, we have other identifiable intangible assets related primarily to technology obtained through acquisitions prior to fiscal 2006. Our other

identifiable intangible assets are being amortized over their useful estimated economic lives, which range from 2 to 17 years. A summary of all of our identifiable intangible assets is presented below:

	Stratex Developed Technology	Stratex Tradenames	Stratex Customer Relationships	Stratex Contract Backlog	Stratex Non Compete Agreements	Stratex Acquisition Total	Other Identifiable Intangible Assets	Total Identifiable Intangible Assets
	(In millions, except for weighted average useful life in years)							
Gross identifiable intangible assets at June 30, 2006	$ —	$ —	$ —	$ —	$ —	$ —	$12.8	$ 12.8
Less accumulated amortization	—	—	—	—	—	—	(6.4)	(6.4)
Net identifiable intangible assets at June 30, 2006	—	—	—	—	—	—	6.4	6.4
Add: acquired fair value of Stratex identifiable intangible assets	70.1	44.4	28.8	4.3	1.9	149.5	—	149.5
Less: amortization expense fiscal 2007	(2.9)	(1.0)	(1.4)	(4.3)	(0.8)	(10.4)	(1.2)	(11.6)
Foreign currency translation	—	—	—	—	—	—	0.2	0.2
Net identifiable intangible assets at June 29, 2007	$67.2	$ 43.4	$27.4	$ —	$ 1.1	$139.1	$ 5.4	$144.5
Amortization expense 2007	2.9	1.0	1.4	4.3	0.8	10.4	1.2	11.6
Amortization expense 2006	—	—	—	—	—	—	1.2	1.2
Amortization expense 2005	—	—	—	—	—	—	0.9	0.9
Weighted Average Useful Life (in years)	9.6	Indefinite*	9.6	—	0.6		14.3	

* The tradename "Stratex" has an indefinite life. Other tradenames identified have a weighted average useful life of 4.6 years as of June 29, 2007.

At June 29, 2007, we estimate our future amortization of identifiable intangible assets by year as follows:

	Years Ending in June
	(In millions)
2008	$ 14.5
2009	13.4
2010	13.3
2011	13.0
2012	11.6
Thereafter	45.7
Total	$111.5

Note E — Short-Term Investments and Available for Sale Securities

Short-term investments and available for sale securities as of June 29, 2007 consisted of the following:

	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Market Value
	(In millions)			
Corporate notes	$12.8	$—	$—	$12.8
Government notes	4.8	—	—	4.8
Auction rate securities	2.8	—	—	2.8
Total short-term investments and available for sale securities	$20.4	$—	$—	$20.4

With the exception of the auction rate securities and one corporate note with a market value of $0.6 million and a maturity of 13 months, all of the Company's short-term investments and available for sale securities have maturity dates of less than one year, with a weighted average maturity of 140 days. Our auction rate securities have maturities in perpetuity or extending through August 2038, with interest rate resets generally every 28 days.

Note F — Accumulated Other Comprehensive Income (Loss)

The changes in our components of accumulated other comprehensive income (loss) during each of three fiscal years in the period ended June 29, 2007 were as follows:

	Foreign Currency Translation	Hedging Derivatives	Short-Term Investments and Available for Sale Securities	Total Accumulated Other Comprehensive Income (Loss)
	(In millions)			
Balance at July 2, 2004	$(21.9)	$ 0.1	$—	$(21.8)
Foreign currency translation	7.7	—	—	7.7
Net unrealized gain on hedging activities, net of $0 tax	—	0.2	—	0.2
Balance at July 1, 2005	(14.2)	0.3	—	(13.9)
Foreign currency translation	12.7	—	—	12.7
Net unrealized loss on hedging activities, net of $0 tax	—	(0.2)	—	(0.2)
Balance at June 30, 2006	(1.5)	0.1	—	(1.4)
Foreign currency translation	**1.5**	—	—	**1.5**
Net unrealized loss on hedging activities, net of $0 tax	—	**(0.1)**	—	**(0.1)**
Balance at June 29, 2007	**$ —**	**$ —**	**$—**	**$ —**

Note G — Receivables

Our receivables are summarized below:

	June 29, 2007	June 30, 2006
	(In millions)	
Accounts receivable	**$190.5**	$122.2
Notes receivable due within one year — net	**3.3**	9.8
	193.8	132.0
Less allowances for collection losses	**(8.5)**	(8.1)
	$185.3	$123.9

On January 26, 2007, we acquired $39.1 million in receivables from the Stratex acquisition at fair value.

Note H — Inventories

Our inventories are summarized below:

	June 29, 2007	June 30, 2006
	(In millions)	
Finished products	**$ 52.9**	$ 17.1
Work in process	**28.6**	34.4
Raw materials and supplies	**68.4**	38.6
	149.9	90.1
Inventory reserves	**(14.2)**	(18.2)
	$135.7	$ 71.9

On January 26, 2007, we acquired $44.2 million of inventory from the Stratex acquisition at fair value.

During the second quarter of fiscal 2006, we had a $34.9 million write-down of inventory related to product discontinuance.

Note I — Property, Plant and Equipment

Our property, plant and equipment are summarized below:

	June 29, 2007	June 30, 2006
	(In millions)	
Land	**$ 1.3**	$ 0.6
Buildings	**30.8**	21.9
Software developed for internal use	**3.0**	4.1
Machinery and equipment	**123.3**	91.7
	158.4	118.3
Less allowances for depreciation and amortization	**(78.4)**	(66.1)
	$ 80.0	$ 52.2

At January 26, 2007, we acquired $33.0 million of property, plant and equipment from the Stratex acquisition at fair value.

Depreciation and amortization expense related to plant and equipment, including software amortization, was $14.5 million, $12.6 million and $11.8 million in fiscal 2007, 2006 and 2005.

During fiscal 2006, we recognized a gain of $1.8 million from the sale of land and building that is included in selling and administrative expenses in our consolidated statements of operations.

Note J — Credit Facility and Debt

Our debt consisted of the following at June 29, 2007 and June 30, 2006:

	June 29, 2007	June 30, 2006
	(In millions)	
Credit Facility with Bank:		
Term Loan A	**$ 5.7**	$ —*
Term Loan B	**13.8**	—*
Other short-term notes	**1.2**	0.2
Total	**20.7**	0.2
Less other short-term notes	**(1.2)**	(0.2)
Less current portion	**(10.7)**	—
Long-term debt	**$ 8.8**	$ —

* The debt balances assumed as a result of the Stratex acquisition were not obligations of Harris Stratex at June 30, 2006.

As part of the Stratex acquisition, we assumed the existing credit facility of Stratex with a commercial bank (the "Credit Facility"). The Credit Facility allows for revolving credit borrowings of up to $50 million with available credit defined as $50 million less the outstanding balance of the long-term portion and any usage under the revolving credit portion. As of June 29, 2007, the outstanding balance of the long-term portion of our Credit Facility was $19.5 million and there were $6.3 million in outstanding standby letters of credit as of that date which are defined as usage under the revolving credit portion of the facility. The Credit Facility is unsecured. The fair value of our debt approximates book values as of June 29, 2007.

Term Loan A of the Credit Facility requires monthly principal payments of $0.5 million plus interest at a fixed rate of 6.38% through May 2008. Term Loan B requires monthly principal payments of $0.4 million plus interest at a fixed rate of 7.25% through March 2010.

The credit facility agreement contains a minimum tangible net worth covenant and a liquidity ratio covenant. At June 29, 2007 we were in compliance with these financial covenants.

At June 29, 2007, our future principal payment obligations on long-term debt under the Credit Facility were as follows:

	Years Ending in June
	(In millions)
2008	$10.7
2009	5.0
2010	3.8
Total	$19.5

Short-term debt of $1.2 million at June 29, 2007 and $0.2 million at June 30, 2006 consisted solely of notes payable to banks in both years. The weighted average interest rate for these notes was 14.0% at June 29, 2007 and 6.8% at June 30, 2006.

We have uncommitted short-term lines of credit aggregating $17.1 million from various international banks, $15.9 million of which was available on June 29, 2007. These lines provide for borrowings at various interest rates, typically may be terminated upon notice, may be used on such terms as mutually agreed to by the banks and us and are reviewed annually for renewal or modification.

Note K — 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 items on the consolidated balance sheets, during the fiscal years ended June 29, 2007 and June 30, 2006, were as follows:

	Fiscal Year Ended	
	June 29, 2007	June 30, 2006
	(In millions)	
Balance as of the beginning of the period	$ 3.9	$ 3.8
Acquisition of Stratex	3.5	—
Warranty provision for sales made during the period	2.8	3.5
Payments made during the period	(4.7)	(3.6)
Other adjustments to the liability including foreign currency translation during the period	0.1	0.2
Balance as of the end of the period	$ 5.6	$ 3.9

Note L — 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. These redeemable preference shares represent a 1% interest in our Singapore subsidiary. The redeemable preference shares have an automatic redemption date of February 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 2007, preference dividends totaling $0.4 million were recorded as interest expense in the accompanying consolidated statements of operations. We have classified the redeemable preference shares as long-term debt 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 M — Warrants

As part of the Stratex acquisition, we assumed warrants to purchase 539,195 shares of our Class A common stock. These warrants have an exercise price of $11.80 per common share and will expire on September 24, 2009. In connection with the purchase accounting recorded as a result of the acquisition of Stratex, we recorded the total fair value of these warrants as $4.5 million in long-term liabilities on January 26, 2007. The per share fair value of each warrant was $7.43 and $8.32 on June 29, 2007 and January 26, 2007, determined based on the Black-Scholes-Merton model with the assumptions listed in the table below.

	June 29, 2007	January 26, 2007
Dividend yield	0%	0%
Expected volatility	43.1%	46.15%
Risk-free interest rate	4.91%	4.87%
Expected holding period	1.25 years	1.33 years

As a result of recording these outstanding warrants at fair value at June 29, 2007, we recorded the change during fiscal 2007 as a $0.5 million credit to selling and administrative expenses on our consolidated statements of operations. During fiscal 2007, warrants to purchase 18,750 shares of our Class A common stock were exercised for total proceeds of $0.2 million.

Note N — Restructuring Activities

In order to improve operating efficiencies and to create synergies through the consolidation of facilities, we have implemented restructuring plans to scale down our operations in Canada, France, the U.S. and Mexico.

In the third quarter of fiscal 2007, we implemented a restructuring plan to close our Montreal facility and reduce our Canadian workforce, and, to a lesser extent, our U.S. workforce. In the fourth quarter of fiscal 2007 we implemented plans to reduce our French and Mexican workforces. As part of these restructuring plans, we notified approximately 200 employees in Canada, the U.S., France and Mexico that their employment will be terminated between March 30, 2007 and December 31, 2007. These plans are expected to be fully implemented by December 31, 2007. In fiscal 2007, we recorded restructuring charges of approximately $9.3 million ($5.1 million in our North America Microwave segment and $4.2 million in our International Microwave segment), all of which pertained to employee severance benefits. We anticipate that we will record an additional $2.2 million in restructuring charges associated with these plans in fiscal 2008 ($1.8 million in our North America Microwave segment and $0.4 in our International Microwave segment).

In the third quarter of fiscal 2007, in connection with the Stratex acquisition on January 26, 2007 (see Note D), we recognized $12.0 million of restructuring liabilities representing the fair value of Stratex restructuring liabilities incurred prior to, and not related to, the acquisition as summarized in the table below. These charges relate to building lease obligations at four of Stratex's U.S. facilities. In fiscal 2007, we made payments of $2.0 million on these leases, which reduced the liability by $1.6 million, net of $0.4 million in interest expense.

In fiscal 2006, we implemented a restructuring plan to transfer our Montreal manufacturing activities to our San Antonio, Texas facility, and reduce our workforce by 110 employees. In fiscal 2006, we recorded restructuring charges of $3.7 million, $2.3 million of which related to employee severance benefits, and $1.4 million of which related to building lease obligation and transition costs. In connection with this restructuring, we also recorded $1.1 million for fixed asset write-offs. As of June 29, 2007, substantially all of the employee severance benefits have been paid, and $1.1 million of the building lease obligation commitments has been paid.

We anticipate no further charges associated with this plan.

The information in the following table summarizes our restructuring activity during the last three fiscal years.

	Severance and Benefits	Facilities and Other	Total
		(In millions)	
Restructuring liability balance at July 2, 2004	$ 5.3	$ 1.3	$ 6.6
Provision in fiscal 2005	—	—	—
Cash payments in fiscal 2005	(5.0)	(1.3)	(6.3)
Restructuring liability balance at July 1, 2005	0.3	—	0.3
Provision in fiscal 2006	2.3	1.5	3.8
Cash payments in fiscal 2006	(0.7)	(1.2)	(1.9)
Restructuring liability balance at June 30, 2006	1.9	0.3	2.2
Acquisition of Stratex restructuring liability on January 26, 2007	—	12.0	12.0
Provision in fiscal 2007	9.3	—	9.3
Cash payments in fiscal 2007	(3.4)	(1.5)	(4.9)
Total restructuring liability at June 29, 2007	$ 7.8	$10.8	$18.6
Current portion of restructuring liability at June 29, 2007	$ 7.8	$ 3.0	10.8
Long-term portion of restructuring liability at June 29, 2007	—	7.8	7.8
Total restructuring liability at June 29, 2007	$ 7.8	$10.8	$18.6

Note O — Stock Options and Share-Based Compensation

As of June 29, 2007, we had one stock incentive plan for our employees and outside directors, the 2007 Stock Equity Plan, which was adopted by our board of directors and approved by Harris as our sole shareholder in January 2007. We believe that awards under this plan more closely align the interests of our employees with those of our shareholders. Certain share-based awards provide for accelerated vesting if there is a change in control (as defined under our Stock Equity Plan). Shares of Class A common stock remaining available for future issuance under our stock incentive plan totaled 4,393,278 as of June 29, 2007. Our stock incentive plan provides for the issuance of share-based awards in the form of stock options, performance share awards and restricted stock. The initial grant of awards under this plan was made on February 28, 2007. Under this initial grant, we awarded 292,400 stock options, 138,752 restricted shares and 141,200 performance shares. We also made a grant on June 12, 2007 issuing 19,800 stock options, 4,970 restricted shares and 9,600 performance shares. We recognized $1.7 million in compensation expense related to our 2007 Stock Equity Plan during fiscal 2007 in our consolidated statements of operations.

We also assumed all of the former Stratex Networks outstanding stock options as of January 26, 2007, as part of the Stratex acquisition. We recognized $1.5 million in compensation expense relating to services provided from January 26, 2007 through June 29, 2007 for the portion of these stock options that were unvested at January 26, 2007. We also recognized $0.9 million in compensation expense related to the acceleration of options in connection with the employment termination of one of our executive officers in June 2007 and $0.9 million in compensation cost related to the acceleration of options charged to goodwill, both items accounted for as a modifications under Statement 123R. For the portion of these assumed stock options that were vested at the date of the Stratex acquisition, we included their fair value of $15.5 million as part of the purchase price of the Stratex acquisition.

Finally, some of our employees who were formerly employed by MCD participate in Harris' four shareholder-approved stock incentive plans (the "Harris Plans") under which options or other share-based compensation is outstanding. In total, the compensation expense related to the Harris Plans' share-based awards was $1.6 million, $1.7 million and $0.8 million during fiscal 2007, 2006 and 2005. These costs have been paid to Harris in cash. Harris has not made any awards to former MCD employees since the date of the Stratex acquisition, and does not intend to make any further awards under its plans.

Upon the exercise of stock options, vesting of restricted stock awards, or vesting of performance share awards, we issue new shares of our Class A 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 $5.7 million, $1.7 million and $0.8 million for fiscal 2007, 2006 and 2005. Amounts were included in our consolidated statements of operations as follows:

	2007	2006	2005
		(In millions)	
Cost of product sales and services	$0.3	$ —	$ —
Research and development expenses	2.0	—	—
Selling and administrative expenses	3.4	1.7	0.8
Total compensation expense	$5.7	$1.7	$0.8

Stock Options Awarded Under our 2007 Stock Equity Plan

The following information relates to stock options that have been granted under our stock incentive 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.

The fair value of each option award under our 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 following table. Expected volatility is based on implied volatility from a group of peer companies developed with the assistance of an independent valuation firm using a 5 year look-back period. The expected term of the options is based on the safe harbor provision as described in the SEC's Staff Accounting Bulletin No. 107. 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.

A summary of the significant assumptions we used in calculating the fair value of our fiscal 2007 stock option grants is as follows:

Grant date	February 28, 2007	June 12, 2007
Expected dividends	0.0%	0.0%
Expected volatility	62.64%	61.10%
Risk-free interest rate	4.52%	5.18%
Expected term (years)	5.0	5.0
Stock price on date of grant	$ 20.40	$ 16.48
Number of stock options granted	292,400	19,800
Fair value per option on date of grant	$ 11.61	$ 9.35

A summary of stock option activity under our 2007 Stock Equity Plan during fiscal 2007 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Stock options outstanding at July 1, 2006	—	$ —	$ —		
Stock options forfeited or expired	—	$ —	$ —		
Stock options granted	312,200	$20.15	$11.47		
Stock options exercised	—	$ —	$ —		
Stock options outstanding at June 29, 2007	312,200	$20.15	$11.47	6.7	$—
Stock options exercisable at June 29, 2007	—	$ —	$ —	—	$—
Stock options vested and expected to vest at June 29, 2007(1)	290,267	$20.15	$11.47	6.7	$—

(1) The options expected to vest are the result of applying the pre-vesting forfeiture rate assumptions to total outstanding options.

The weighted average remaining contractual term for stock options that were outstanding as of June 29, 2007 was 6.7 years. There were no stock options that were exercisable as of June 29, 2007. The intrinsic value for stock options that were outstanding and exercisable as of June 29, 2007 was zero. The aggregate intrinsic value represents the total pre-tax intrinsic value or the aggregate difference between the closing price of our common stock on June 29, 2007 of $17.98 and the exercise price for in-the-money options that would have been received by the optionees if all options had been exercised on June 29, 2007. The weighted-average grant-date fair value was $11.47 per share for options granted during fiscal 2007. There was no intrinsic value of options exercised during fiscal 2007 since none were exercised.

A summary of the status of our nonvested stock options at June 29, 2007 granted under our 2007 Stock Equity Plan and changes during fiscal 2007, are as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested stock options at July 1, 2006	—	$ —
Stock options granted	312,200	$11.47
Stock options vested	—	$ —
Nonvested stock options at June 29, 2007	312,200	$11.47

As of June 29, 2007, there was $3.0 million of total unrecognized compensation expense related to nonvested stock options granted under our stock incentive plan. This cost is expected to be recognized over a weighted-average period of 1.4 years. The total fair value of stock options that vested during fiscal 2007 was zero.

Restricted Stock Awards Under our 2007 Stock Equity Plan

The following information relates to awards of restricted stock that were granted on February 28, 2007 and June 12, 2007 to employees and outside directors under our stock incentive plan. The restricted stock is not transferable until vested and the restrictions lapse upon the achievement of continued employment over a specified time period. Restricted stock issued to employees cliff vests 3 years after grant date. Restricted stock issued to directors generally vest in quarterly increments through 1 year after grant date. We recognized $0.5 million of expense during fiscal 2007. The fair value of each restricted stock grant is based on the closing price of our Class A 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 at June 29, 2007 and changes during fiscal 2007, are as follows:

	Shares	Weighted-Average Grant Date Fair Value
Restricted stock outstanding at July 1, 2006	—	$ —
Restricted stock granted	143,722	$20.30
Restricted stock vested and released	(8,067)	$20.38
Restricted stock forfeited	—	$ —
Restricted stock outstanding at June 29, 2007	135,655	$20.30

As of June 29, 2007, there was $2.4 million of total unrecognized compensation expense related to restricted stock awards under our stock incentive plan. This expense is expected to be recognized over a weighted-average period of 2.3 years.

Performance Share Awards

The following information relates to awards of performance shares that have been granted to employees on February 28, 2007 and June 12, 2007 under our stock incentive plan. Vesting of performance share awards is subject to performance criteria including meeting revenue and operating income targets for a 29-month plan period ending June 30, 2009 and continued employment at the end of that period. The final determination of the number of shares to be issued in respect of an award is determined by our Board of Directors, or a committee of our Board.

The fair value of each performance share is based on the closing price of our Class A stock on the date of grant and is amortized to compensation expense over its vesting period, if achievement of the performance measures is considered probable. We estimate that the performance measures will be achieved and recognized $0.4 million of expense during fiscal 2007.

A summary of the status of our performance shares at June 29, 2007, and changes during fiscal 2007, are as follows:

	Shares	Weighted-Average Grant Date Fair Value
Performance shares outstanding at July 1, 2006	—	$ —
Performance shares granted	150,800	$20.15
Performance shares vested and released	—	$ —
Performance shares forfeited	—	$ —
Performance shares outstanding at June 29, 2007	150,800	$20.15

As of June 29, 2007, there was $2.6 million of total unrecognized compensation expense related to performance share awards under our stock incentive plan. This expense is expected to be recognized over a weighted-average period of 2.0 years.

Stock Options Assumed

A summary of stock option activity for stock options assumed from the Stratex acquisition on January 26, 2007 through June 29, 2007 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (In millions)
Vested stock options assumed at January 26, 2007	2,392,703	$24.33		
Unvested stock options assumed at January 26, 2007	915,063	$17.05		
Total stock options assumed at January 26, 2007	3,307,766	$22.32		
Stock options forfeited or expired	(97,819)	$38.53		
Stock options exercised	(305,431)	$ 9.93		
Stock options outstanding at June 29, 2007	2,904,516	$23.08	3.6	$8.6
Stock options exercisable at June 29, 2007	2,441,996	$24.27	3.2	$7.9
Stock options vested and expected to vest at June 29, 2007(1)	2,872,039	$23.15	3.6	$8.6

(1) The options expected to vest are the result of applying the pre-vesting forfeiture rate assumptions to total outstanding options.

The weighted average remaining contractual term for the assumed former Stratex stock options that were outstanding and were exercisable as of June 29, 2007 was 3.6 years and 3.2 years, respectively. The aggregate intrinsic value for stock options that were outstanding and were exercisable as of June 29, 2007 was $8.6 million and $7.9 million, respectively. The aggregate intrinsic value represents the total pre-tax intrinsic value or the aggregate difference between the closing price of our Class A common stock on June 29, 2007 of $17.98 and the exercise price for in-the-money options that would have been received by the optionees if all options had been exercised on June 29, 2007.

The total intrinsic value of options exercised during fiscal 2007 (the period from January 26, 2007, date of assumption, through June 29, 2007) was $2.5 million at the time of exercise.

As of June 29, 2007, there was $4.9 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 0.9 years.

Summary of Harris Stratex Networks, Inc. Stock Options

The following summarizes all of the Harris Stratex Networks, Inc. stock options outstanding at June 29, 2007:

	Options Outstanding			Options Exercisable	
Actual Range of Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Contractual Life (years)**	**Weighted Average Exercise Price**	**Number Exercisable**	**Weighted Average Exercise Price**
$ 0.91 - $ 9.96	700,568	2.8	$ 7.94	689,597	$ 7.94
$10.40 - $ 17.96	1,200,093	4.8	$16.62	770,013	$16.78
$18.04 - $ 27.76	962,015	4.2	$21.71	628,346	$22.24
$28.12 - $148.00	354,040	2.2	$76.11	354,040	$76.02
$ 0.91 - $148.00	3,216,716	3.9	$22.79	2,441,996	$24.27

AWARDS TO FORMER HARRIS EMPLOYEES PRIOR TO THE STRATEX ACQUISITION

As mentioned above, some of our employees that were formerly employed by MCD participate in Harris' four shareholder-approved stock incentive plans under which stock options, restricted stock awards and performance share awards are outstanding. Harris has not made any awards to former MCD employees since the date of the Stratex acquisition, and does not intend to make any further awards under its plans. The following sets forth the status of those awards as they relate to our financial statements.

Harris Stock Options

The following information relates to stock options that have been granted under Harris' shareholder-approved stock incentive plans. Option exercise prices are 100% of fair market value on the date the options are granted. Options may be exercised for a period set at the time of grant, which generally ranges from 7–10 years after the date of grant, and they generally become exercisable in installments, which are typically 50% one year from the grant date, 25% two years from the grant date and 25% three years from the grant date. A significant number of options granted by us in fiscal 2006 are subject to a vesting schedule in which they are 50% exercisable prior to the end of such fiscal year, a period of approximately 10 months from the grant date.

Harris management prepared the valuation of stock options based on the method and assumptions provided herewith. The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option-pricing model which uses assumptions noted in the following table. Expected volatility is based on implied volatility from traded options on Harris stock, historical volatility of Harris stock price over the last 10 years and other factors. The expected term of the options is based on historical observations of Harris stock over the past ten years, considering average years to exercise for all options exercised, average years to cancellation for all options cancelled and average years remaining for outstanding options, which is calculated based on the weighted-average vesting period plus the weighted-average of the difference between the vesting period and average years to exercise and cancellation. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury curve in effect at the time of grant.

	2007	2006	2005
Expected dividends	**1.0%**	0.9%	0.7%
Expected volatility	**35.8%**	36.1%	35.2%
Risk-free interest rates	**4.8%**	4.1%	3.0%
Expected term (years)	**3.42**	3.35	4.00

A summary of stock option activity under Harris' stock incentive plans as they relate to our consolidated financial statements is as follows:

	2007	
	Shares	Weighted Average Exercise Price
Stock options outstanding at the beginning of the year	**393,884**	**$22.12**
Stock options forfeited or expired	**(10,900)**	**$35.64**
Stock options granted	**82,116**	**$43.82**
Stock options exercised	**(102,222)**	**$18.52**
Stock options outstanding at the end of the year	**362,878**	**$27.57**
Stock options exercisable at the end of the year	**229,228**	**$20.80**

The weighted average remaining contractual term for stock options that were outstanding and exercisable as of June 29, 2007 was 5.2 years and 4.9 years. The aggregate intrinsic value for stock options that were outstanding or exercisable as of June 29, 2007 was $9.8 million and $7.7 million. The aggregate intrinsic value represents the total pre-tax intrinsic value or the aggregate difference between the closing price of Harris common stock on June 29, 2007 of $54.55 and the exercise price for in-the-money options that would have been received by the optionees if all options had been exercised on June 29, 2007.

The weighted-average grant-date fair value was $11.53 per share for options granted during fiscal 2007. The total intrinsic value of options exercised during fiscal 2007 was $2.9 million at the time of exercise.

A summary of the status of Harris' nonvested stock options at June 29, 2007 as they relate to our consolidated financial statements, and changes during fiscal 2007 are as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested stock options at July 1, 2006	**115,444**	**$ 7.68**
Stock options granted	**82,116**	**$11.53**
Stock options vested	**(63,910)**	**$ 6.62**
Nonvested stock options at June 29, 2007	**133,650**	**$10.55**

As of June 29, 2007, there was $1.4 million of total unrecognized compensation cost related to nonvested stock options granted under Harris' stock incentive plans. This cost is expected to be recognized over a weighted-average period of 1.7 years. The total fair value of stock options that vested during fiscal 2007 was approximately $0.4 million.

Harris Restricted Stock Awards

The following information relates to Harris awards of restricted stock awards that have been granted to former MCD employees under Harris' stock incentive plans. The restricted stock shares are not transferable until vested and the restrictions lapse upon the achievement of continued employment over a specified time period.

The fair value of each restricted stock award grant is based on the closing price of Harris stock on the date of grant and is amortized to expense over its vesting period. At June 29, 2007, there were 23,000 shares of restricted stock awards outstanding.

A summary of the status of Harris restricted stock at June 29, 2007 as it relates to our consolidated financial statements, and changes during fiscal 2007 are as follows:

	Shares	Weighted-Average Grant Price
Restricted stock outstanding at July 1, 2006	**40,000**	**$21.13**
Restricted stock granted	**18,000**	**$43.82**
Restricted stock vested	**(33,000)**	**$17.54**
Restricted stock forfeited	**(2,000)**	**$43.82**
Restricted stock outstanding at June 29, 2007	**23,000**	**$39.51**

As of June 29, 2007, there was $0.6 million of total unrecognized compensation cost related to restricted stock awards under Harris' stock incentive plans. This cost is expected to be recognized over a weighted-average period of 2.1 years. There were 33,000 shares of restricted stock that vested during fiscal 2007. The weighted-average grant date price of the 18,000 shares of restricted stock granted during fiscal 2007 was $43.82.

Harris Performance Share Awards

The following information relates to Harris awards of performance share awards and performance share units that have been granted to former MCD employees under Harris' stock incentive plans. Generally, performance share and performance share unit awards are subject to Harris' performance criteria such as meeting predetermined earnings and return on invested capital targets for a three-year plan period. These awards also generally vest at the expiration of the same three-year period. The final determination of the number of shares to be issued in respect of an award is determined by Harris' Board of Directors, or a committee of their Board.

The fair value of each performance share award is based on the closing price of Harris stock on the date of grant and is amortized to expense over its vesting period, if achievement of the performance measures is considered probable. At June 29, 2007 there were 44,489 performance shares awards outstanding.

The fair value of performance share units, which is distributed in cash, is equal to the most probable estimate of intrinsic value at the time of distributions and is amortized to compensation expense over the vesting period. At June 29, 2007, we had 3,900 shares of performance share units.

A summary of the status of Harris performance shares at June 29, 2007 as it relates to our financial statements, and changes during fiscal 2007, are as follows:

	Shares	Weighted-Average Grant Price
Performance shares outstanding at July 1, 2006	**52,300**	**$26.06**
Performance shares granted	**28,200**	**$43.82**
Performance shares vested	**(30,100)**	**$16.28**
Performance shares forfeited	**(2,011)**	**$41.77**
Performance shares outstanding at June 29, 2007	**48,389**	**$36.43**

As of June 29, 2007, there was $0.9 million of total unrecognized compensation cost related to performance share awards under Harris' stock incentive plans. This cost is expected to be recognized over a weighted-average period of 2.6 years. There were 30,100 performance shares that vested during fiscal 2007. The weighted-average grant date price of the 28,200 performance shares granted during fiscal 2007 was $43.82.

Other Harris Share-Based Compensation

Prior to January 27, 2007, under Harris' domestic retirement plans, most MCD employees had an option to invest in Harris' common stock at 70% of current market value limited to the lesser of (a) 1% of their compensation

and (b) 20% of a participant's total contribution to the plan, which was matched by us. The discount from fair market value on Harris common stock purchased by employees under the domestic retirement plans is charged to compensation expense in the period of the related purchase.

Note P — Business Segments

Our operating segment information for fiscal 2007, 2006 and 2005 is presented in accordance with Statement 131. We are organized into three operating segments around the markets we serve: North America Microwave, International Microwave and Network Operations. The North America Microwave segment designs, manufactures, sells and services microwave radio products, primarily for cellular network providers and private network users within North America (U.S. and Canada). The International Microwave segment designs, manufactures, sells and services microwave radio products, primarily for cellular network providers and private network users outside of North America. The Network Operations segment develops, designs, produces, sells and services network management software systems, primarily for cellular network providers and private network users. Our Chief Executive Officer has been identified as our Chief Operating Decision-Maker (CODM) as defined by Statement 131. Resources are allocated to each of these segments using information based primarily on their operating income (loss). 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 our CODM and it was not practical to provide this information.

We evaluate each segment's performance based on its revenue and operating income (loss), which is defined as revenue less cost of product sales and services, research and development expenses, selling and administrative expenses, acquired in-process research and development, amortization of identifiable intangible assets and restructuring charges.

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

Revenue	2007	2006	2005
		(In millions)	
North America Microwave	**$216.3**	$168.1	$159.8
International Microwave	**272.2**	172.3	127.2
Network Operations	**19.4**	17.1	23.4
Total Revenue	**$507.9**	$357.5	$310.4

Income (Loss) Before Income Taxes	2007(1)	2006(2)	2005
		(In millions)	
Segment Operating Income (Loss):			
North America Microwave	**$ 8.9**	$ 16.9	$ 10.3
International Microwave	**(27.9)**	(34.1)	(11.9)
Network Operations	**1.3**	1.1	4.4
Corporate allocations expense from Harris	**(3.7)**	(12.4)	(6.2)
Net interest expense	**(0.5)**	(0.5)	(0.1)
Loss before income taxes	**$(21.9)**	$(29.0)	$ (3.5)

(1) During fiscal 2007, we recorded $15.3 million in acquired in-process research and development expenses, $9.1 million in amortization of developed technology, tradenames, customer relationships, contract backlog and non-compete agreements, $8.6 million in amortization of fair value adjustments for inventory and fixed assets related to the acquisition of Stratex, $4.2 million in restructuring charges and $3.6 million in merger related integration charges to our International Microwave segment. In addition, we recorded $1.4 million in amortization of developed technology, tradenames, customer relationships, contract backlog and non-compete agreements, $0.4 million in amortization of fair value adjustments for inventory and fixed assets related to the

acquisition of Stratex, $5.1 million in restructuring charges and $2.7 million in merger-related integration charges to our North America Microwave segment.

(2) The operating loss in the International Microwave segment in fiscal 2006 included $39.6 million in inventory write-downs and other charges associated with decisions made in fiscal 2006 regarding product discontinuances and the shutdown of manufacturing activities at our Montreal, Canada plant.

Revenue by country comprising more than 5% of our sales from unaffiliated customers for fiscal 2007, 2006, and 2005 are as follows:

	2007	% of Total	2006	% of Total	2005	% of Total
			(In millions)			
United States	**$168.7**	**33.2%**	$143.9	40.2%	$154.5	49.8%
Canada	**39.9**	**7.8%**	29.9	8.4%	15.5	5.0%
Nigeria	**55.4**	**10.9%**	81.3	22.8%	36.1	11.6%
Other	**243.9**	**48.1%**	102.4	28.6%	104.3	33.6%
Total	**$507.9**	**100.0%**	$357.5	100.0%	$310.4	100.0%

Long-lived assets consisted primarily of identifiable intangible assets, goodwill and property, plant and equipment. Long-lived assets by location at June 29, 2007 and June 30, 2006 are as follows:

	2007	2006
	(In millions)	
United States	**$222.1**	$ 51.2
Singapore	**260.1**	—
Canada	**38.7**	48.8
United Kingdom	**13.7**	—
Other countries	**30.2**	10.8
Total	**$564.8**	$110.8

Note Q — Income Taxes

We account for income taxes under the asset and liability method in accordance with Statement 109. 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 the 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.

(Loss) income from continuing operations before provision for income taxes for fiscal 2007, 2006 and 2005 is comprised of the following:

	2007	2006	2005
United States	$(27.4)	$ (7.6)	$(14.9)
Foreign	5.5	(21.4)	11.4
Total	$(21.9)	$(29.0)	$ (3.5)

Provision (benefit) for income taxes for fiscal 2007, 2006 and 2005 consisted of the following:

	2007	2006	2005
Current provision (benefit)			
United States	$ —	$ —	$ —
Foreign	6.9	1.1	0.3
State and local	—	—	—
Total current provision	6.9	1.1	0.3
Deferred benefit provision			
United States	(9.7)	—	—
Foreign	(0.8)	—	—
State and local	(0.4)	5.7	—
Total deferred benefit	(10.9)	—	—
Provision (benefit) for income taxes	$ (4.0)	$6.8	$0.3

The following table summarizes the significant differences between the U.S. Federal statutory tax rate and our effective tax rate for fiscal 2007, 2006 and 2005 consisted of the following:

	2007	2006	2005
Statutory U.S. Federal tax rate	(35.0)%	(35.0)%	(35.0)%
U.S. valuation allowances	11.4	35.0	35.0
State and local taxes, net of U.S. Federal tax benefit	(1.9)	—	—
Foreign income taxed at rates less than the U.S. statutory rate	5.4	23.4	8.6
Other	1.8	—	—
Effective tax rate	(18.3)%	23.4%	8.6%

Deferred tax assets and liabilities consisted of the following:

	June 29, 2007		June 30, 2006	
	Current	Non-Current	Current	Non-Current
	(In millions)			
Deferred tax assets:				
Inventory	**$ 13.4**	$ —	$ 6.0	$ —
Accruals	**2.4**	—	2.6	—
Unrealized impairment loss	**1.1**	—	—	—
Other reserves and accruals	**1.9**	—	—	—
Bad debts	**1.0**	—	—	—
Warranty reserve	**3.2**	—	—	—
Deferred costs	**0.6**	—	—	—
Depreciation	—	**1.3**	—	0.7
Amortization	—	**0.8**	—	—
Other foreign	**3.5**	—	—	—
International research and development expense deferrals	—	—	—	17.7
Stock options	—	**0.7**	—	—
Severance and restructuring costs	**6.6**	—	—	—
Other	**0.5**	**1.0**	—	—
Capital loss carryforward	—	**7.6**	—	—
Tax credit carryforwards	—	**20.8**	—	17.3
Tax loss carryforwards	**0.5**	**43.7**	—	36.2
Total deferred tax assets	**34.7**	**75.9**	8.6	71.9
Valuation allowance	**(30.6)**	**(66.3)**	(8.6)	(60.6)
Net deferred tax assets	**4.1**	**9.6**	—	11.3
Deferred tax liabilities:				
Purchased identifiable intangible assets	—	**36.9**	—	—
Internally developed software	—	**3.7**	—	—
Commissions	—	—	1.7	—
Total deferred tax liabilities	—	**40.6**	1.7	—
Net deferred tax asset (liability)	**$ 4.1**	**$(31.0)**	$(1.7)	$ 11.3

United States income taxes have not been provided on $6.4 million of undistributed earnings of foreign subsidiaries 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 carryforward as of June 29, 2007 have expiration dates ranging between one year and no expiration in certain instances. The amount of U.S. tax loss carryforwards was $108.0 million and credit carryforwards was $17.7 million as of June 29, 2007. The amount of foreign tax loss carryforwards was $24.0 million. The utilization of a portion of the NOLs is subject to an annual limitation under Section 382 of the Internal Revenue Code due to a change of ownership. Income taxes paid were $6.6 million in fiscal 2007.

The effective tax rate in the fiscal year ended June 29, 2007 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, certain purchase accounting adjustments and foreign tax credits.

A deferred tax liability in the amount of $40.8 million has been recognized in accordance with SFAS 109 for the difference between the assigned values for purchase accounting purposes and the tax bases of the assets and

liabilities acquired as a result of the Stratex acquisition. This resulted in a $40.8 million increase to goodwill. In addition, we also recorded a valuation allowance under purchase accounting on $94.0 million of acquired deferred tax assets in the opening balance sheet. We have recorded the valuation allowance because the we have determined it was not more likely than not that the assets would be realized. Any realization of theses deferred tax assets in the future will be reflected as a reduction to goodwill.

We established our International Headquarters in Singapore and have 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 certain that we will meet all requirements as outlined by EDB.

We have 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 the fiscal year ended June 29, 2007.

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. Accruals for tax contingencies are provided for in accordance with the requirements of SFAS No. 5, *Accounting for Contingencies*.

Note R — Related Party Transactions with Harris

Prior to the Stratex acquisition, Harris provided information services, human resources, financial shared services, facilities, legal support and supply chain management services to us. The charges for these services were billed to us primarily based on actual usage.

These amounts were charged directly to us and were not part of the corporate allocations expense in the consolidated statements of operations for the periods presented in this report. The amount charged to us for these services was $12.2 million, $10.9 million and $10.3 million in fiscal years 2007, 2006 and 2005. These amounts are included in the cost of product sales and services and engineering, selling and administrative expenses captions in the consolidated statements of operations for the periods presented in this report.

There are other services Harris provided to us prior to the Stratex acquisition that were not directly charged to the Company. These functions and amounts are explained above under the subtitle “Basis of Presentation.” These amounts are included within “Due to Harris Corporation” on the consolidated balance sheets. Additionally, we have other receivables and payables in the normal course of business with Harris. These amounts are netted within “Due to Harris Corporation” on the consolidated balance sheets. Total receivables from Harris were $0.7 million and $7.5 million at June 29, 2007 and June 30, 2006. Total payables to Harris were $17.9 million and $20.1 million at June 29, 2007 and June 30, 2006.

Harris was the primary source of our financing and equity activities for the periods presented in this report through January 26, 2007, the date of the Stratex acquisition. During the seven months ended January 26, 2007, Harris’s net investment in us was increased by $24.1 million. During the fiscal 2006, Harris’s provided $2.8 million to recapitalize one of our subsidiaries and Harris’ net investment in us decreased by $7.8 million. During the fiscal 2005, Harris’s provided $43.0 million to recapitalize some of our subsidiaries and Harris’s net investment in us decreased by $13.3 million.

Additionally, through the date of the Stratex acquisition, Harris loaned funds to us to fund our international entities and we provided excess cash at various locations back to Harris. This arrangement ended on January 26, 2007. We recognized interest income and expense on these loans. The amount of interest income and expense for each of the three fiscal years in the period ended June 29, 2007 was not significant.

We have sales to, and purchases from, other Harris entities from time to time. The entity initiating the transaction sells to the other Harris entity at cost or transfer price, depending on jurisdiction. The entity making the sale to the end customer records the profit on the transaction above cost or transfer price, depending on jurisdiction. Our sales to other Harris entities were $1.9 million, $6.5 million and $3.1 million in fiscal 2007, 2006 and 2005. We also recognized costs associated with related party purchases from Harris of $6.7 million, $12.7 million and $8.0 million in fiscal 2007, 2006 and 2005.

On January 26, 2007, we entered into a new Transition Services Agreement with Harris to provide for certain services during the period subsequent to the Stratex acquisition. These services are charged to us based primarily on actual usage and include database management, supply chain operating systems, eBusiness services, sales and service, financial systems, back office material resource planning support, HR systems, internal and information systems shared services support, network management and help desk support, and server administration and support. During the year ended June 29, 2007, Harris charged us $3.7 million for these services.

Prior to January 26, 2007, MCD used certain assets in Canada owned by Harris that were not contributed to us as part of the Combination Agreement. We continue to use these assets in our business and we entered into a 5-year lease agreement to accommodate this use. This agreement is a capital lease under generally accepted accounting principles. At June 29, 2007, our lease obligation to Harris was $5.9 million and the related asset amount is included in our property, plant and equipment. Quarterly lease payments are due to Harris based on the amount of 103% of Harris' annual depreciation calculated in accordance with U.S. generally accepted accounting principles. Our depreciation expense on this capital lease was $0.8 million in fiscal 2007. As of June 29, 2007, the future minimum payments for this lease are $3.1 million for fiscal 2008, $1.0 million for fiscal 2009, $0.6 million for fiscal 2010, $0.4 million for fiscal 2011, and $0.8 million for fiscal 2012.

Note S — Operating Lease Commitments

We lease sales facilities, administrative facilities and equipment under non-cancelable operating leases. These leases have initial lease terms that extend through 2012, and have additional renewal options through 2013.

Rental expense for operating leases, including rentals on a month-to-month basis was $6.1 million in fiscal 2007, $4.0 million in fiscal 2006, and $3.9 million in fiscal 2005. As of June 29, 2007, the future minimum rental commitments for all non-cancelable operating facility and equipment leases with an initial lease term in excess of one year were $6.7 million for fiscal 2008, $5.1 million for fiscal 2009, $3.6 million for fiscal 2010, $1.5 million for fiscal 2011, and $0.4 million for fiscal 2012.

Note T — Derivative Instruments and Hedging Activity

We use foreign exchange contracts to hedge both balance sheet and off-balance sheet future foreign currency commitments. Generally, these foreign exchange contracts offset foreign currency denominated inventory and purchase commitments from suppliers; accounts receivable from, and future committed sales to, customers; and intercompany loans. We believe the use of foreign currency financial instruments reduces the risks that arise from doing business in international markets. At June 29, 2007, we had open foreign exchange contracts with a notional amount of $52.5 million, of which $15.1 million were designated as Statement 133 hedges and $37.4 million were not designated as Statement 133 hedges. This compares to total foreign exchange contracts with a notional amount of $19.4 million as of June 30, 2006, all of which were designated as Statement 133 hedges. At June 29, 2007, contract expiration dates range from less than one month to three months with a weighted average contract life of approximately one month.

We immediately recognize in earnings any portion of a derivative's change in fair value which is assessed as ineffective in accordance with the provisions of Statement 133. Amounts included in our earnings in fiscal 2007, 2006 and 2005 representing hedge ineffectiveness was not material. In addition, an immaterial amount was recognized in our earnings in fiscal 2007, and no amounts were recognized in our earnings in fiscal 2006 and 2005 related to the component of the derivative instruments' gain or loss excluded from the assessment of hedge ineffectiveness. All of these derivatives were recorded at their fair value on the balance sheet in accordance with Statement 133.

Note U — Legal Proceedings

From time to time, as a normal incident of the nature and kind of businesses in which we may be engaged, various claims or charges are asserted and litigation commenced against us arising from or related to: personal injury; patents, trademarks or trade secrets; labor and employee disputes; commercial or contractual disputes; breach of warranty; or 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. We would record accruals for losses related to those matters that we consider to be probable and that can be reasonably estimated. Gain contingencies, if any, would be recognized when they are realized and legal costs are generally expensed when incurred. While it is not feasible to predict the outcome of any particular matter with certainty, and some lawsuits, claims or proceedings may be disposed or decided unfavorably to us, based upon available information, management is not aware of any settlements and final judgments, if any, that would have a material adverse effect on our financial position, results of operations or cash flows.

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.

Note V — 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. Summarized quarterly data for fiscal 2007 and 2006 are as follows (in millions, except per share amounts):

Quarter	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
		(In millions)		
Fiscal 2007				
Revenue	$93.6	$101.2	$139.0	$174.1
Gross margin(1)	30.8	34.8	36.0	50.9
Income (loss) from operations	5.3	6.2	(22.7)	(10.1)
Net income (loss)	4.8	5.8	(23.2)	(5.3)
Basic and diluted net loss per common share(2)	N/A	N/A	(0.58)	(0.09)
Market price range common stock(3)				
High	$N/A	$ N/A	$21.25	$20.07
Low	N/A	N/A	18.23	14.85
Quarter-end Close	N/A	N/A	19.19	17.98
Fiscal 2006				
Revenue	$84.7	$ 88.7	$ 73.6	$110.5
Gross margin (deficit)(1)	26.8	(6.2)	25.1	39.2
Income (loss) from operations	6.1	(31.7)	(6.1)	3.3
Net income (loss)	5.7	(37.4)	(6.9)	2.8
Basic and diluted net income (loss) per common share(2)	N/A	N/A	N/A	N/A

(1) Gross margin is calculated by subtracting cost of sales from revenue.

(2) Earnings (loss) per share are computed independently for each of the quarters presented. There were no shares outstanding prior to January 26, 2007 so for periods prior the third quarter of fiscal 2007, these amounts are N/A or Not Applicable. Therefore, the sum of the quarterly net loss per share totals will not equal the total for the year.

(3) Our Class A common stock began trading on the NASDAQ Global Market on January 30, 2007 under the symbol HSTX.

We have not paid cash dividends on our Common Stock and do not intend to pay cash dividends in the foreseeable future. At June 29, 2007, we had approximately 230 stockholders of record of our Class A common stock and one shareholder of record of our Class B common stock.

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. Management has conducted an evaluation, under the supervision and with the participation of the Chief Executive Officer, Chief Financial Officer and Senior Manager, Internal Audit, 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) of the Securities Exchange Act of 1934) as of June 29, 2007.

Conclusion of evaluation: Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of June 29, 2007 were effective.

Inherent Limitations on Effectiveness of Controls: In designing and evaluating our disclosure controls and procedures, management recognizes that any controls, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

Changes in internal control over financial reporting: There were no changes in our internal control over financial reporting during the fourth quarter of fiscal 2007 that have materially affected, or are reasonably likely to materially affect our internal control 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 the Company will file a Definitive Proxy Statement with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended June 29, 2007.

Item 10. *Directors, Executive Officers and Corporate Governance*

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 August 24, 2007, are as follows:

Name and Age	Position Currently Held and Past Business Experience
Guy M. Campbell, 60	Mr. Campbell was appointed president and chief executive officer of our company in January 2007 when Harris MCD and Stratex Networks merged. Previously, he served as president of the Microwave Communications Division of Harris Corporation beginning in August 2003. In 2002, Mr. Campbell joined Sarnoff Corporation as vice president, Commercial Systems. Beginning in 1999, he held various positions at Andrew Corporation, where he served as chief executive officer and president from 2000 to 2001. For 25 years prior to 1999, Mr. Campbell served in a number of senior management roles at Ericsson Inc., a multi-billion dollar global telecommunications company.

Name and Age	Position Currently Held and Past Business Experience
Sarah A. Dudash, 53	Ms. Dudash joined our company as vice president and chief financial officer in January 2007 when Harris MCD and Stratex Networks merged. In 2003, Ms. Dudash became the division controller at the Microwave Communications Division of Harris Corporation, where she served as vice-president and controller, from September, 2006 until Harris MCD and Stratex Networks merged. Previously, Ms. Dudash was business unit controller for the Integrated Information Communication Systems Business Unit of the Government Communications Systems Division of Harris Corporation. Ms. Dudash began her career with Deloitte Haskins & Sells.
Robert W. Kamenski, 52	Mr. Kamenski joined our company as corporate controller in January 2007, when Harris MCD and Stratex Networks merged. He served as corporate controller at Stratex Networks from March 2006 until January 2007, when he assumed his current position. Prior to joining Stratex Networks he was vice president, Finance, for GoRemote Internet Communications, Inc. from April 2004 to February 2006. At Iridex Corporation Mr. Kamenski served as vice president of finance from March 1997 to October 1997 and chief financial officer from October 1997 to August 2003. Previously, Mr. Kamenski held various management positions at Tandem Computers (now a division of Hewlett Packard) and was an audit supervisor for Touche Ross & Co. (now combined with Deloitte & Touche LLP).
Paul A. Kennard, 56	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. From 1993 to 1996, he served as senior vice president, Engineering, at California Microwave, and previously served as Manager of Radio Signal Processing for Bell Northern Research.
Stephen J. Gilmore, 52	Mr. Gilmore joined our company as vice president, Human Resources, in January 2007 when Harris MCD and Stratex Networks merged. In June 2005 he was appointed vice president, Human Resources of Harris Corporation's Microwave Communications Division. Since October 1979, he has held various positions of increasing responsibility with Harris Corporation, including director of Human Resources and director of Organization and Management Development.

Name and Age	Position Currently Held and Past Business Experience
Juan Otero, 43	Mr. Otero joined our company as general counsel and secretary in January 2007 when Harris MCD and Stratex Networks merged. Previously, he served as director of Legal Affairs for Stratex Networks since July 2002. He was promoted to general counsel in July of 2004 and to general counsel and assistant secretary in February of 2005. Prior to joining Stratex Networks, Mr. Otero was director and senior counsel for Compaq Computer Corporation and the Hewlett-Packard Company from March 2000 to June 2002, and corporate counsel for Hitachi Data Systems from March 1998 to March 2000.

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 or officers acting solely in their capacities as such. All of our executive officers are elected annually and serve at the pleasure of our Board of Directors.

Item 11. *Executive Compensation*

The information required by this item will appear in our Proxy Statement. This portion of our Proxy Statement is incorporated by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Equity Compensation Plans

The following table provides information as of June 29, 2007, relating to our equity compensation plan pursuant to which grants of options, restricted stock and performance shares may be granted from time to time:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Restricted Stock and Performance Shares	Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in First Column)
Equity compensation plan approved by security holders	606,722	$20.15	4,393,278

The other information required by this item will appear under the headings “Shares Owned by Management and Our Largest Shareholders” in our Proxy Statement.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this item will appear under the heading “Certain Relationships and Related Transactions” and “Corporate Governance” in our Proxy Statement and is incorporated by reference.

Item 14. *Principal Accountant Fees and Services*

Information regarding our principal auditor fees and services will appear under “Proposal 2: Ratification of Appointment of Independent Registered Public Accountants” in our Proxy Statement and is incorporated by reference.

PART IV

Item 15. *Exhibits and Financial Statement Schedules.*

The following documents are filed as a part of this Annual Report on Form 10-K:

Page

(1) List of Financial Statements Filed as Part of this Annual Report on Form 10-K

The following financial statements and reports of Harris Stratex Networks, Inc. and its consolidated subsidiaries are included in Part II, Item 8. of this Annual Report on Form 10-K at the page numbers referenced below:

— Report of Independent Registered Public Accounting Firm 54

— Consolidated Statement of Operations — Fiscal Years ended June 29, 2007; June 30, 2006; and July 1, 2005 55

— Consolidated Balance Sheet — June 29, 2007 and June 30, 2006 56

— Consolidated Statement of Cash Flows — Fiscal Years ended June 29, 2007; June 30, 2006; and July 1, 2005 57

— Consolidated Statement of Comprehensive Income and Shareholders' Equity — Fiscal Years ended June 29, 2007; June 30, 2006; and July 1, 2005 58

— Notes to Consolidated Financial Statements 59

(2) Financial Statement Schedules:

For each of the Fiscal Years ended June 29, 2007; June 30, 2006; and July 1, 2005

— Schedule II — Valuation and Qualifying Accounts 107

All other schedules are omitted because they are not applicable, the amounts are not significant, or the required information is shown in the Consolidated Financial Statements or the Notes thereto.

(3) 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)
2.1.1	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)
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 January 26, 2007 (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form 8-A filed with the Securities and Exchange Commission on January 26, 2007, 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 August 20, 2007, File No. 001-33278)
4.1	Specimen common stock certificates
4.2	Registration Rights Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.3 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)

Ex. #	Description
10.1	Investor Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
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)
10.4	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)
10.5	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)
10.6	Lease Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.6 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.7	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)
10.8	Warrant Assumption Agreement between Harris Stratex Networks, Inc. and Stratex Networks, Inc. dated January 26, 2007 (incorporated by reference to Exhibit 10.8 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.9	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)
10.10	Lease Agreement between Harris Stratex Networks Canada ULC and Harris Canada, Inc. dated January 26, 2007 (incorporated by reference to Exhibit 10.10 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.11	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)
10.13	Non-Competition Agreement, dated January 26, 2007, among Harris Stratex Networks, Inc., Stratex Networks, Inc. and Charles D. Kissner (incorporated by reference to Exhibit 10.13 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.14*	Employment Agreement, effective as of January 26, 2007, between Harris Stratex Networks, Inc. and Guy M. Campbell (incorporated by reference to Exhibit 10.14 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.15*	Employment Agreement, dated as of May 18, 2006, by and between Stratex Networks, Inc. and Thomas H. Waechter (incorporated by reference to Exhibit 10.15 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.15.1*	First Amendment, effective as of September 1, 2006, to Employment Agreement, dated as of May 18, 2006, by and between Stratex Networks, Inc. and Thomas H. Waechter (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Stratex Networks, Inc. for the Fiscal Quarter Ended September 30, 2006, File No. 000-15895)
10.16*	Employment Agreement dated as of January 26, 2007 between Harris Stratex Networks, Inc. and Sarah A. Dudash (incorporated by reference to Exhibit 10.15.1 to the Quarterly Report on Form 10-Q for the Fiscal Quarter Ended March 30, 2007, File No. 001-33278)
10.17*	Employment Agreement dated as of April 1, 2006 between Harris Stratex Networks, Inc. and Heinz Stumpe (incorporated by reference to Exhibit 10.15.2 to the Quarterly Report on Form 10-Q for the Fiscal Quarter Ended March 30, 2007, File No. 001-33278)
10.18*	Form of Employment Agreement, dated as of May 14, 2002, by and between the Stratex Networks, Inc. and Paul Kennard (incorporated by reference to Exhibit 10.11 to the Annual Report on Form 10-K of Stratex Networks, Inc. for the Fiscal Year Ended March 31, 2003, File No. 000-15895)

Ex. #	Description
10.18.1*	Amendment A, effective as of April 1, 2006, to Employment Agreement, dated May 14, 2002, by and between Stratex Networks, Inc. and Paul Kennard (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of Stratex Networks, Inc. for the Fiscal Quarter Ended June 30, 2006, File No. 000-15895)
10.18.2*	Amendment B, effective as of April 1, 2006, to Employment Agreement, dated May 14, 2002, by and between Stratex Networks, Inc. and Paul Kennard (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of Stratex Networks, Inc. for the Fiscal Quarter Ended June 30, 2006, File No. 000-15895)
10.19*	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, File No. 000-15895)
10.19.1*	Amendment to Employment Agreement, effective as of May 2, 2005, by and between Stratex Networks, Inc. and Charles D. Kissner (incorporated by reference to Exhibit 10.27 to Amendment No. 2 to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on December 18, 2006, File No. 333-137980)
10.19.2*	Amendment to Employment Agreement, Amendment(B), effective as of April 1, 2006, by and between Stratex Networks, Inc. and Charles D. Kissner (incorporated by reference to Exhibit 10.28 to Amendment No. 2 to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on December 18, 2006, File No. 333-137980)
10.19.3*	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 18, 2006, File No. 333-137980)
10.20*	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)
10.21	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)
10.22	Sublicense Agreement, effective as of January 26, 2007, between Harris Stratex Networks, Inc. and Harris Stratex Networks Operating Corporation
10.23*†	Harris Stratex Networks, Inc. 2008 Annual Incentive Plan
10.24	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)
10.25	Stratex Networks, Inc. 2002 Stock Incentive Plan (incorporated by reference to Exhibit 4.8 to the Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 5, 2007, File No. 333-140442)
10.26	Stratex Networks, Inc. (formerly DMC Stratex Networks, Inc.) 1999 Stock Incentive Plan (incorporated by reference to Exhibit 4.7 to the Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 5, 2007, File No. 333-140442)
10.27*	Stratex Networks, Inc. (formerly Digital Microwave Corporation) 1994 Stock Incentive Plan (incorporated by reference to Exhibit 4.4 to the Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 5, 2007, File No. 333-140442)
10.28	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)
10.28.1	Amendment No. 1 to the Restated Loan and Security Agreement between Stratex Networks, Inc. and Silicon Valley Bank, dated May 04, 2005 (incorporated by reference to Exhibit 4.7 to the Annual Report on Form 10-K of Stratex Networks, Inc. on June 14, 2005, File No. 000-15895)

Ex. #	Description
10.28.2	Amendment No. 2 to Amended and Restated Loan and Security Agreement between Stratex Networks, Inc. and Silicon Valley Bank, dated August 15, 2005 (incorporated by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q of Stratex Networks, Inc. on November 9, 2005, File No. 000-15895)
10.28.3	Amendment No. 3 to Amended and Restated Loan and Security Agreement between Stratex Networks, Inc. and Silicon Valley Bank, dated December 28, 2005 (incorporated by reference to Exhibit 4.1 the Quarterly Report on Form 10-Q of Stratex Networks, Inc. on February 9, 2006, File No. 000-15895)
10.28.4	Amendment No. 4 to Amended and Restated Loan and Security Agreement between Stratex Networks, Inc. and Silicon Valley Bank, dated February 27, 2006 (incorporated by reference to Exhibit 4.10 to the Annual Report on Form 10-K of Stratex Networks, Inc. on June 14, 2006, File No. 000-15895)
10.28.5	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.
21	List of Subsidiaries of Harris Stratex Networks, Inc.
23	Consent of Ernst & Young LLP, 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 plan

† Confidential Treatment Requested

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.

HARRIS STRATEX NETWORKS, INC.
(Registrant)

By: /s/ Guy M. Campbell
Guy M. Campbell
President and Chief Executive Officer

Date: August 24, 2007

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/ Guy M. Campbell Guy M. Campbell	President, Chief Executive Officer and Director (Principal Executive Officer)	August 24, 2007
/s/ Sarah A. Dudash Sarah A. Dudash	Vice President and Chief Financial Officer (Principal Financial Officer)	August 24, 2007
/s/ Robert W. Kamenski Robert W. Kamenski	Corporate Controller (Principal Accounting Officer)	August 24, 2007
/s/ Charles D. Kissner Charles D. Kissner	Chairman of the Board	August 24, 2007
/s/ Eric C. Evans Eric C. Evans	Director	August 24, 2007
/s/ William A. Hasler William A. Hasler	Director	August 24, 2007
/s/ Clifford H. Higgerson Clifford H. Higgerson	Director	August 24, 2007
/s/ Howard L. Lance Howard L. Lance	Director	August 24, 2007
/s/ Dr. Mohsen Sohi Dr. Mohsen Sohi	Director	August 24, 2007
/s/ James C. Stoffel James C. Stoffel	Director	August 24, 2007
/s/ Edward F. Thompson Edward F. Thompson	Director	August 24, 2007

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

Col. A	Col. B	Col. C Additions		Col. D	Col. E
Description	Balance at Beginning of Period	(1) Charged to Costs and Expenses	(2) Charged to Other Accounts Describe	(Additions) Deductions Describe	Balance at End of Period
		(In millions)			
Year ended June 29, 2007:				$ (0.2)(A)	
Amounts Deducted From				(0.8)(D)	
Respective Asset Accounts:				2.1(B)	
Allowances for collection losses	$ 8.1	$ 1.5	$ —	$ 1.1	$ 8.5
Allowances for inventory valuation	$18.2	$ 3.2	$ —	$ 7.2(C)	$14.2
Allowances for deferred tax assets	$69.2	$ 2.6	$25.1	$ —	$96.9
Year ended June 30, 2006:					
Amounts Deducted From Respective Asset Accounts:					
				$ (0.3)(A)	
				3.7(B)	
Allowances for collection losses	$ 7.3	$ 4.2	$ —	$ 3.4	$ 8.1
				$ (0.5)(A)	
				53.7(C)	
Allowances for inventory valuation	$32.9	$38.5	$ —	$53.2	$18.2
Allowances for deferred tax assets	$50.4	$18.8	$ —	$ —	$69.2
Year ended July 1, 2005:					
Amounts Deducted From Respective Asset Accounts:					
				$(0.5)(A)	
				0.5(B)	
Allowances for collection losses	$ 6.3	$ 1.0	$ —	$ —	$ 7.3
				$ 1.9(A)	
				(2.1)(C)	
Allowances for inventory valuation	$33.8	$(1.1)	$ —	$ (0.2)	$32.9
Allowances for deferred tax assets	$35.9	$14.5	$ —	$ —	$50.4

Note A — Foreign currency translation gains and losses.

Note B — Uncollectible accounts charged off, less recoveries on accounts previously charged off.

Note C — Obsolescence and excess inventory charged off.

Note D — Acquisition from Stratex Networks, Inc.

Note E — Deferred tax asset recorded as an adjustment to goodwill under purchase accounting.

APPENDIX

STOCKHOLDER INFORMATION

Executive Offices

Harris Stratex Networks, Inc.
Research Triangle Park
637 Davis Drive
Morrisville, NC 27560
(919) 767-3230

Independent Public Accountants

Ernst & Young LLP
Raleigh, NC

Transfer Agent and Registrar

Mellon Investor Services
480 Washington Blvd
Jersey City, NJ 07310
www.melloninvestor.com
(800) 522-6645 (Domestic Holders)
(201) 680-6578 (Foreign Holders)
(800) 231-5469 (Hearing Impaired)

Investor Relations Contact

Mary McGowan
Summit IR Group, Inc.
(408) 404-5401
Mary@SummitIRGroup.com

Stockholder Inquiries

Questions relating to stockholder records, change of ownership or change of address should be sent to our transfer agent, Mellon Investor 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:

Harris Stratex Networks, Inc.
Attn: Investor Relations
120 Rose Orchard Way
San Jose, California 95134

2007 Annual Report

We have published this 2007 Annual Report to Stockholders, including the Consolidated Financial Statements and Management's Discussion and Analysis, with our Proxy Statement. Further information regarding various aspects of our business can be found on our Web site (www.HarrisStratex.com).

Electronic Delivery

In an effort to reduce paper mailed to your home, we now 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 *www.proxydocs.com/hstx*

If you are a registered stockholder, you may now use the Internet to transmit your voting instructions anytime before 11:59 p.m. EDT on November 13, 2007. 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.HarrisStratex.com

Harris Stratex Networks' Web site provides access to a wide variety of information, including products, new 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 (e.g., historical financial releases and stock prices) and access to conference calls and analyst group presentations. Other interesting features are the "press release alerts" and the "SEC filings email alerts," which allow users to receive automatic updates informing them when new items such as news releases, financial events announcements and SEC documents are added to the site.

www.melloninvestor.com

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

Guy Campbell
President and Chief Executive Officer

Sarah A. Dudash
Vice President and Chief Financial Officer

Meena Elliott
Associate General Counsel and Assistant Secretary

Steve Gilmore
Vice President, Human Resources

Carol A. Goudey
Corporate Treasurer and Assistant Secretary

Ed Hutton
Vice President, Engineering

Robert Kamenski
Corporate Controller (Principal Accounting Officer)

Paul A. Kennard
Chief Technical Officer and
Vice President International Sales

John Koenig
Vice President, Product Line Management

Shaun McFall
Vice President, Marketing

Juan B. Otero
General Counsel and Secretary

Heinz Stumpe
Vice President, Global Operations

Directors

Charles D. Kissner
Chairman of the Board
Harris Stratex Networks, Inc.
Director
SonicWALL, Inc.
Shoretel, Inc.

Guy M. Campbell
President and Chief Executive Officer
Harris Stratex Networks, Inc.

Eric C. Evans
Chairman of the Board, co-Chief Executive Officer,
Representative Executive Director
D&M Holdings Inc.

William A. Hasler
Chairman of the Board
Solectron Corporation

Clifford H. Higgerson
General Partner
Vanguard Venture Partners
Partner
Walden International

Howard L. Lance
President and Chief Executive Officer,
Chairman of the Board
Harris Corporation

Dr. Mohsen Sohi
President and Chief Executive Officer
Freudenberg-Nok

Dr. James C. Stoffel
Director
Harris Corporation
Senior Vice President, Chief Technical Officer,
Director of Research and Development (Retired)
Eastman Kodak Company

Edward F. Thompson
Consultant
Fujitsu Labs of America
Chief Financial Officer (Retired)
Amdahl Corporation

Outside Legal Counsel
Bingham McCutchen LLP
East Palo Alto, CA

Headquarters and Operations

Corporate Headquarters
Harris Stratex Networks, Inc.
Research Triangle Park
637 Davis Drive
Morrisville, NC 27560
United States

International Headquarters, Singapore
Harris Stratex Networks (S) Pte. Ltd.
17, Changi Business Park Central 1
Honeywell Building, #04-01
Singapore 486073

Offices

North America
Alpharetta, GA
Montréal, Canada
San Antonio, TX
San Jose, CA
Seattle, WA

Europe
Aix En Provence France
Bucharest, Romania
Châtenay-Malabry, France
Glasgow, Scotland
Madrid, Spain
Moscow, Russia
Warsaw, Poland

Mexico
Mexico City, Mexico

Africa
Abidjan, Côte d'Ivoire
Lagos, Nigeria
Midrand, South Africa
Nairobi, Kenya

Middle East
Dubai, United Arab Emirates

Asia & Pacific Rim
Bangkok, Thailand
Beijing, China
Dhaka, Bangladesh
Jakarta, Indonesia
Makati City, Philippines
Manila, Philippines
New Delhi, India
Selangor, Malaysia
Shanghai, China
Shenzhen, China
Wellington, New Zealand

South America
Buenos Aires, Argentina
Sao Paulo, Brasil

Cautionary Statements

This Annual Report contains forward-looking statements concerning the Company's goals, strategies and expectations for business and financial results, which are based on current expectations, estimates and projections. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. For a discussion of these risks and uncertainties, please refer to the Company's Form 10-K filed August 27, 2007, as amended, with the Securities and Exchange Commission.

Every Connection Counts.

www.HarrisStratex.com