2008

proxy statement & annual report

To Our Shareholders

FISCAL YEAR 2008 WAS A YEAR OF GROWTH AND TRANSITION FOR HARRIS STRATEX NETWORKS. IN OUR FIRST FULL YEAR, WE MADE ENCOURAGING PROGRESS IN OUR TARGET MARKETS, STRENGTHENING OUR CUSTOMER RELATIONSHIPS, INCREASING OUR REVENUE OPPORTUNITIES AND IMPROVING OUR ABILITY TO EXECUTE. WE INITIATED A NEW GROWTH PLAN DESIGNED TO EXPAND OUR ADDRESSABLE MARKETS. WE SUCCESSFULLY STREAMLINED OUR PRODUCT PORTFOLIO. WE BEGAN TO LEVERAGE ECONOMIES OF SCALE. AND WE SET PROGRAMS IN MOTION TO IMPROVE PROCESSES AND TOOLS THAT WILL ENHANCE OUR PERFORMANCE.

Our Fiscal Year Financial Results

Revenue momentum continued as the Company achieved $718 million in sales, compared to $508 million in the prior year. On a non-GAAP[1] basis, we realized a 10 percent growth in revenue compared to fiscal 2007. New orders were significantly higher than sales, and we achieved record bookings in Q4. Our net loss for the year was $12 million or $0.20 per share. Non-GAAP* net income, excluding the impact of merger-related charges and stock compensation expense, was $34 million or $0.59 per share.

We had $98 million of cash and short term investments as of June 27, 2008 and available credit of an additional $33 million. We continue to focus on key balance sheet metrics for the company, most importantly, our cash available for the continued expansion of our business.

Market Outlook

This is a moment of opportunity for an innovation leader well-positioned in multiple wireless markets. While the overall market is competitive, new technology applications using third- and fourth-generation (3G and 4G) wireless technologies have created excellent growth prospects. We believe the global microwave market will grow from a little over $6 billion in 2008 to approximately $8 billion[2] in 2013—a relatively strong growth rate of 6 to 8 percent. More to the point, we see an underlying growth of closer to 20 percent for higher-capacity IP-based microwave systems. We have been playing a leading role in that market and we will focus a majority of our business development and R&D efforts in IP backhaul and adjacent markets.

[1] *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.*

[2] *Source: Skylight Research.*

A clear shift in consumer behavior is driving a technology shift in our business. Mobile subscriber growth has tripled over the last three years[3]. Users of new wireless broadband devices, such as smart phones and wireless PC data cards, are leading to a substantial increase in data traffic in North America, Europe and now in other regions. Data traffic volume for mobile devices grew by a factor of four in 2007 alone and similar growth is expected again in 2008[4].

With this new traffic, bandwidth requirements for backhaul have increased—a strong potential driver for growth in our core business. In line with these trends, our percentage of IP product shipments increased, driven largely by the demand for our Eclipse™ IP product platform. Implementation timelines vary by region, but we are seeing broad and strong interest in customers wanting to understand the IP migration path for their networks.

In Africa, a combination of new customer networks and the continued expansion of our current customer networks led to a strong year-over-year performance in the region. New customer wins in Asia-Pacific are also adding to our momentum. In July we announced a multiyear contract with a tier-1 operator to expand its 3G mobile network to serve up to 98 percent of Australia's population. In addition, we were selected to provide a complete backhaul solution for a national security network in the Middle East, with a contract value in excess of $60 million.

Our Growth Strategy

We have developed a new growth strategy, based on intensive research into markets that can be served through our core competencies. In our traditional markets, we are intensifying our focus on serving the IP mobility backhaul market with industry-leading solutions led by our innovative Eclipse product family. This transition distinguishes us from our competition and positions us to serve the highest-growth markets in our industry.

We have accelerated the introduction of an end-to-end WiMAX solution to address a growing demand for broadband data in our focus markets. We are also in the process of developing solutions for other adjacent markets, such as the growing Energy and Security market, which uses machine-to-machine (M2M) wireless transmission technologies.

With our product strategy, we have taken significant steps toward a common platform that will reduce the number of products required to support our worldwide customer base. For customers using our legacy products, we are implementing new solutions to provide a smooth migration path to more cost-efficient IP-based networking.

Executing the Plan

Over the last few months, we have aggressively optimized our organization to achieve our growth strategy. This optimization was driven by a comprehensive program designed to accelerate and complete the integration of our tools, processes and systems and align our people and organization with our growth plan. The progress of this program has been impressive and we are seeing benefits with each new month.

As an organization, we are creating a digital global environment that enhances productivity and reduces costs for both us and our customers. Our plans include short- and long-term improvements to our financial reporting tools and processes to improve visibility on key business metrics. With my new senior leadership team formed in July and their teams in place, I am

[3] *Source: GSM Association.*

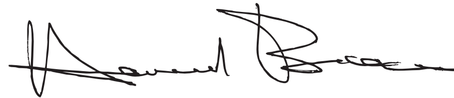
[4] *Source: Heavy Reading.*

pleased to say we now have the right people in place to drive our strategy. We are committed to ongoing innovation across our product lines. Our solutions have evolved to meet the next-generation needs of the most advanced networks in the world.

Our Outlook

Our current assessment of the macro environment for wireless markets is for demand to remain relatively strong in microwave and particularly strong in the IP mobility backhaul and WiMAX segments. While we continue to operate in a highly competitive environment, we are well-positioned for fiscal 2009 and beyond as the wireless solutions company providing the best combination of technology innovation, market diversity based on core competence and network services. We look forward to maximizing the potential of our new company for our customers, our partners and ultimately our stockholders.

Since I arrived at Harris Stratex, I have been impressed by the expertise, dedication and innovative talent of our employees around the world who make our success possible. I would like to thank them for their willingness to change, hard work, customer focus and commitment to excellence as we realize the full potential of Harris Stratex Networks.



Harald Braun
President and Chief Executive Officer

FY'08 YEAR-END SUMMARY

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES AND REGULATION G DISCLOSURE

To supplement our condensed 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 (loss) before income taxes, income taxes, net income (loss), and net income (loss) per basic and diluted share adjusted to exclude certain costs, expenses, gains and losses, including such amounts related to our merger with Stratex. 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 these non-GAAP measures enhance the ability of an investor to analyze trends in Harris Stratex business and 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'08 YEAR-END SUMMARY

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Condensed Consolidated Statements of Operations (Unaudited)

	Year Ended							
	June 27, 2008				June 29, 2007			
	As Reported	Non-GAAP Adjustments	Non-GAAP	% of Sales	As Restated	Non-GAAP Adjustments	Non-GAAP (Restated)	% of Sales
	(In millions, except per share amounts)							
Revenue from product sales and services (A)	$ 718.4	$ —	$ 718.4		$ 507.9	$ 145.8	$ 653.7	
Cost of product sales and services (B)	(521.1)	18.2	(502.9)		(358.2)	(91.2)	(449.4)	
Amortization of purchased technology (C)	(7.1)	7.1	—		(3.0)	3.0	—	
Gross margin	190.2	25.3	215.5	30.0%	146.7	57.6	204.3	31.3%
Research and development expenses (D)	(46.1)	1.4	(44.7)	6.2%	(39.4)	2.0	(37.4)	5.7%
Selling and administrative expenses (E)	(141.4)	17.6	(123.8)	17.2%	(98.9)	(22.0)	(120.9)	18.5%
Acquired research and development (F)	—	—	—		(15.3)	15.3	—	
Amortization of intangible assets (G)	(7.1)	6.7	(0.4)	0.1%	(7.5)	7.5	—	
Restructuring charges (H)	(9.3)	9.3	—		(9.3)	8.6	(0.7)	0.1%
Corporate allocations expense (I)	—	—	—		(3.7)	3.4	(0.3)	
Operating (loss) income	(13.7)	60.3	46.6	6.5%	(27.4)	72.4	45.0	6.9%
Interest income (J)	2.4	—	2.4		1.8	1.8	3.6	
Interest expense (J)	(2.6)	—	(2.6)		(2.3)	(1.4)	(3.7)	
Other expense, net (J)	—	—	—		—	(0.9)	(0.9)	
(Loss) income before income taxes	(13.9)	60.3	46.4	*tax rate*	(27.9)	71.9	44.0	*tax rate*
Income tax benefit (expense) (K)	2.0	(14.0)	(12.0)	26%	6.1	(18.7)	(12.6)	29%
Net (loss) income	$ (11.9)	$ 46.3	$ 34.4		$ (21.8)	$ 53.2	$ 31.4	
Net (loss) income per common share:								
Basic and diluted	$ (0.20)		$ 0.59		$ (0.88)		$ 0.54	
Basic and diluted weighted average shares outstanding:								
Basic and diluted	58.4		58.4		24.7		58.4	

Note A — Revenue — Adjustment to revenue for fiscal 2007 of $145.8 million to add Stratex Networks, Inc. revenue for the 7 months ended January 26, 2007, prior to the merger.

Note B — Cost of sales and services — Includes adjustments to cost of product sales and services for fiscal 2008 to remove purchase accounting adjustments for the amortization of the step-up in the value of fixed assets of $0.8 million, adjustments to remove merger integration costs of $1.5 million, and adjustments to remove FAS 123R expense of $1.2 million. Also includes adjustments to remove inventory impairment related to product transitioning of $11.0 million and write down of inventory related to restructuring actions of $3.7 million.

For fiscal 2007, includes adjustment of $100.3 million to add Stratex Networks, Inc. cost of product sales and services for the 7 months ended January 26, 2007, prior to the merger. Also includes adjustments to remove merger related charges including amortization of the step-up in inventory and fixed assets of $8.3 million, write off of deferred costs of $0.1 million, and FAS 123 R expense of $0.7 million.

Note C — Amortization of purchased technology — Adjustments for fiscal 2008 and fiscal 2007 to remove amortization of purchased intangibles incurred in connection with the merger.

Note D — Research and development expenses — Adjustments to fiscal 2008 to remove $1.4 million of FAS 123R expense.

For fiscal 2007, includes adjustment to remove FAS 123R expense of $2.0 million.

Note E — Selling and administrative expenses — Includes adjustments for fiscal 2008 to remove purchase accounting adjustments related to the amortization of the step-up in the value of fixed assets of $1.9 million, merger integration costs of $10.4 million, FAS 123R expense of $5.2 million and $0.1 million lease impairment costs.

For fiscal 2007, includes adjustment of $41.5 million to add Stratex Networks Selling and administrative expenses for the 7 months ended January 26, 2007, prior to the merger. Also include adjustments to remove merger related charges including amortization of the step-up of fixed assets of $0.8 million, merger integration costs of $11.8 million, and FAS 123R expense of $6.9 million.

Note F — Acquired in-process research and development — Adjustment for fiscal 2007 to remove write off of in-process research and development incurred in connection with the merger.

Note G — Amortization of intangible assets — Adjustment for fiscal 2008 and fiscal 2007 to remove amortization of purchased intangibles incurred in connection with the merger.

Note H — Restructuring charges — Adjustment to remove charges for restructuring incurred during fiscal 2008 and fiscal 2007.

Note I — Corporate allocation expenses — Adjustment for fiscal 2007 to remove corporate allocation expenses from Harris Corporation, which did not continue after the merger with Stratex.

Note J — Interest income and expense and other expense — Adjustment for fiscal 2007 to add Stratex Networks interest income, interest expense and other expense for the 7 months ended January 26, 2007, prior to the merger.

Note K — Income tax benefit (expense) — Adjustment to reflect a pro forma 26 percent tax rate for fiscal 2008, and a pro forma 29 percent tax rate for fiscal 2007.

HARRIS STRATEX NETWORKS, INC.

637 Davis Drive, Morrisville, NC 27560

Notice of 2008 Annual Meeting of Stockholders
To Be Held on November 20, 2008

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

NOTICE IS HEREBY GIVEN that the 2008 Annual Meeting of Stockholders of Harris Stratex Networks, Inc. will be held at our facilities, located at 120 Rose Orchard Way, San Jose, California, on Thursday, November 20, 2008 at 3:30 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 appointment by our Audit Committee of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal 2009.

3. Approval of the material terms of our Annual Incentive Plan.

4. Approval of the material terms of our 2007 Stock Equity Plan for purposes of Internal Revenue Code Section 162(m).

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

Only holders of common stock of record at the close of business on September 22, 2008 are entitled to notice of and to vote at the Annual Meeting and all adjournments or postponements thereof.

Whether or not you expect to attend in person, we urge you to submit a proxy to vote your shares in accordance with the instructions that we provide to you and as set forth in the proxy statement for the 2008 Annual Meeting. This will help ensure the presence of a quorum at the meeting.

By Order of the Board of Directors

/s/ Juan Otero

Juan Otero
Vice President, General Counsel and Secretary

October 8, 2008

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HARRIS STRATEX NETWORKS, INC.

PROXY STATEMENT
FOR THE ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON NOVEMBER 20, 2008

This proxy statement ("Proxy Statement") applies to 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 2008 Annual Meeting of Stockholders, to be held at 3:30 p.m., local time, November 20, 2008, and any adjournments or postponements thereof. The annual meeting will be held in San Jose, California, located at 120 Rose Orchard Way, San Jose, California. [The telephone number at that location is (408) 943-0777.] These proxy materials will be available over the Internet and for those that have requested to receive the materials in hard copy, the proxy materials are being mailed on or about October 8, 2008 to our stockholders entitled to notice of and to 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 2008 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. 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 2009. Our Class A and Class B common stockholders, voting together, will also be asked to approve the material terms of each of the Annual Incentive Plan and the 2007 Stock Equity Plan for the purposes of compliance with Internal Revenue Code (the "Code") Section 162(m). In addition, management will report on its 2008 performance and respond to stockholders' questions at the annual meeting.

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

The record date for the stockholders entitled to vote at the annual meeting is September 22, 2008. 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, as the sole holder of our outstanding Class B common stock, is entitled to one vote per share for the election of five Class B directors. As of the record date of September 22, 2008, the number of outstanding shares of Class A common stock was 25,545,022 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 the 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. In addition, Harris has indicated that it intends to vote its shares of Class B common stock in favor of ratification of the appointment by our Audit Committee of Ernst & Young LLP as our independent registered public accounting firm for fiscal 2009 and approval of the material terms of each of the Annual Incentive Plan and the 2007 Stock Equity Plan for purposes of Section 162(m) of the Code. Harris' voting power is sufficient to ratify the appointment of Ernst & Young LLP and approve these plans at the annual 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 must bring a copy of a bank or brokerage statement reflecting your stock ownership as of the record date to the annual meeting.

How do I vote?

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

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

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

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

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

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

This Proxy Statement, the form of proxy card, the Notice and our annual report on SEC Form 10-K for the fiscal year ended June 27, 2008 are available at www.proxydocs.com/hstx.

Why are we soliciting proxies?

In lieu of personally attending and voting at the 2008 annual meeting, you can appoint a proxy 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 and have designated proxy holders to whom you may submit your voting instructions. 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 card bearing a later date to the Company's Secretary at the same address;
- submitting another proxy by Internet or telephone (the latest dated proxy will control); or
- attending the annual meeting and voting in person.

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

What vote is required to approve each item?

The director nominees will be re-elected by a plurality of the votes cast. Our stockholders may not cumulate votes in the re-election of the director nominees. The director nominees receiving the highest number of affirmative votes of the shares present in person or by proxy at the annual meeting and entitled to vote will be elected. Ratification of the selection by our Audit Committee of Ernst & Young LLP as our independent registered public accounting firm requires the affirmative vote of the majority of the stockholders present in person or by proxy at the annual meeting and entitled to vote. Approval of the material terms of each of the Annual Incentive Plan and the 2007 Stock Equity Plan for purposes of Section 162(m) of the Code also 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, the ratification of the selection of our independent registered public accounting firm and the approval of the material terms of each of the Annual Incentive Plan and the 2007 Stock Equity Plan. The voting power of Harris' Class B common stock is sufficient to elect the nominees, ratify the appointment of our independent registered public accounting firm and approve material terms of each of these plans.

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 the election of Class A Directors and the ratification of the selection of our independent public accounting firm. With respect to Proposal No. 1, which requires a plurality vote, broker "non-votes" will have no effect. With respect to Proposal No. 2 (ratification of

the selection of our independent registered public accounting firm), which requires the affirmative vote of a majority of the shares present at the meeting and entitled to vote, broker "non-votes" will have the same effect as a negative vote. With respect to Proposals No. 3 (approval of the material terms of the Annual Incentive Plan) and No. 4 (approval of the material terms of the 2007 Stock Equity Plan), broker "non-votes" will also 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 2009 Annual Meeting?

Stockholder Proposals. In order for stockholder proposals to be considered properly brought before our 2009 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 2009 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 June 10, 2009.

Nomination of Director Candidates. In order for a stockholder to nominate a director for election at our 2009 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 contained 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 2009 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. Braun 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. Mr. Braun became a director on April 8, 2008 and Mr. Lance has held office as a director 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
Harald J. Braun	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. Thus, we are a “controlled” entity under the Listing rules of the NASDAQ stock market “The Nasdaq Listing Rules” and, as such, are exempt from the director independence requirements, with the exception of 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, Braun 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 Listing Rules. All directors are requested to attend the annual meeting of stockholders.

Board and Committee Meetings and Attendance

During fiscal year 2008, the Board held eight meetings, the Audit Committee held 13 meetings, the Compensation Committee held seven meetings, the Corporate Governance Committee held four meetings and the Nominating Committee held one meeting. Each of our board members attended at least 75 percent of the total number of Board meetings and at least 75 percent of the total number of meetings of the committee or committees on which the member served during the fiscal year.

Directors' Biographies

Mr. Charles D. Kissner, age 61, currently serves as 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. Harald J. Braun, age 52, has been our President and Chief Executive Officer and a member of the Board since April 2008. Previously, he served as President and CEO of Siemens Networks LLC and most recently as a senior executive in Nokia Siemens Networks North America. In 2002, Mr. Braun became President, Siemens Carrier Networks Division, focused on next-generation technologies and services. From 2000-2002, he served as Siemens Senior Vice President and the head of Siemens Ltd. in Thailand, with responsibility for sales of the company's next-generation network products. Prior to this, he served in a number of management roles at Siemens AG.

Mr. Eric C. Evans, age 55, currently serves as Chairman of the Board of Directors, Chief Executive Officer, and Representative Executive Director of D&M Holdings Inc., a leading provider of premium consumer audio electronics. Until its acquisition in September 2008 by an affiliate of Bain Capital, D&M was 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 66, has served as Chairman of the Board of Directors of Solectron Corporation from 2003 to 2007 and was a member of that board from 1998 to 2007. He 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 Networks Corp., a supplier of telecommunications equipment, Genitope Corporation, a biopharmaceutical company, Technical Olympic USA, Inc., a 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 68, served as a member of the Stratex board of directors from March 2006 to January 2007 and served on the Compensation and Strategic Business Development Committees. He has more than 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 on four key industry sectors: communications, electronics/digital consumer, software and IT services, and semiconductors. Mr. Higgerson was a founding partner of ComVentures from 1986 to 2005, and has been a general partner with Vanguard Venture Partners since 1991. He currently serves as a member of the board of directors of BA Systems, Kotura, Hatteras Networks, Xtera Communications, World of Good and Ygnition.

Mr. Howard L. Lance, age 52, is currently President and Chief Executive Officer and Chairman of the Board of Directors of Harris. 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 62**,** currently serves on the Board of Directors of Harris, 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. He held this position from 2000 to April 2005. He joined Kodak in 1997 as Vice President and Director Electronic Imaging Products Research and Development and became Director of Research and Engineering in 1998. Prior to joining Kodak, he was with Xerox Corporation, where he began his career in 1972. His most recent position with Xerox was Vice President, Corporate Research and Technology. Dr. Stoffel is also a trustee of the George Eastman House museum. He serves on the Advisory Board for Research and Graduate Studies at the University of Notre Dame and is a member of the advisory board of the Applied Science and Technology Research Institute, Hong Kong.

Dr. Mohsen Sohi, age 49, 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. Sohi is also a director of Steris Corporation, a provider of infection prevention, contamination control, microbial reduction and surgical support systems, products, series and technologies to healthcare, scientific research, industrial,and government customers worldwide.

Mr. Edward F. Thompson, age 70, 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 2008, and the principal functions performed by each committee.

Committee	Number of Meetings in Fiscal 2008	Members	Principal Functions
Audit	13	Edward F. Thompson* Eric C. Evans William A. Hasler	• Selects our independent registered public accounting firm • Reviews reports of our independent registered public accounting firm • Reviews and pre-approves the scope and cost of all services, including all non-audit services, provided by the firm selected to conduct the audit • Monitors the effectiveness of the audit process • Reviews management's assessment of the adequacy of financial reporting and operating controls • Monitors corporate compliance program
Compensation	7	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	4	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	1	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

Audit Committee

The Audit Committee is primarily responsible for selecting, and approving the services performed by our independent registered public accounting firm, as well as, and reviewing our accounting practices, corporate financial reporting and system of internal controls over financial reporting. The Audit Committee currently consists of Messrs. Evans, Hasler and Thompson (Chairman). No material amendments to the Audit Committee Charter were made during fiscal year 2008. The Audit Committee is comprised of independent, non-employee members of our Board who are "financially sophisticated" under the NASDAQ Listing rules.

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

Compensation Committee

The Compensation Committee has the authority and responsibility to approve our overall executive compensation strategy, to administer our annual and long-term compensation plans and to review and make recommendations to the Board regarding executive compensation. The Compensation Committee is comprised of independent, non-employee members of the Board. The Compensation Committee also retains an independent compensation consultant who advises on matters of executive compensation.

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 committee 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.

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 members evaluate nominees for director based on whether the nominee is recommended by a stockholder. We currently do not pay a third party to identify or assist in identifying or evaluating potential nominees, although we may in the future utilize the services of such third parties.

In reviewing potential candidates for the Board, the 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 has approved, Charles D. Kissner, William A. Hasler, Edward F. Thompson and Clifford H. Higgerson to stand for election as Class A directors at the 2008 annual meeting.

Stockholder Communications with the Board

Stockholders who wish to communicate directly with the Board may do so by sending an e-mail to Juan Otero, the Company's General Counsel and Secretary, at hsxbod@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 and Principal Accounting Officer, are required to abide by the Code of Conduct to help ensure that our business is conducted in a consistently ethical and legal manner. The Audit Committee has adopted a written policy, and management has implemented a reporting system, intended to encourage our employees to bring to the attention of management and the Audit Committee any complaints regarding the integrity of our internal system of controls over financial reporting, or the accuracy or completeness of financial or other information related to our financial statements.

Contractual and Other Control Arrangements

In connection with the completion of the Stratex merger and the Combination Agreement, 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. Please refer to "Election of Class B Directors" and "Transactions with Related Persons," below.

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 NASDAQ Listing 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 and regulations. If the related person is a member of our Board, or a family member of a director, then that director would not participate in any discussion involving the transaction at issue.

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

Harris is a significant related party to us through its 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 Company employees,
- indemnification or insurance arrangements covering Company directors and officers, and
- any payments or other transactions pursuant to our tax-sharing agreement with Harris.

We share a 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 additional insurance coverage, which is for use solely by us and our officers and directors.

Prior to the Stratex 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 $1.4 million in respect of fiscal year 2008.

Prior to the Stratex merger, Harris provided information services, human resources, financial shared services, facilities, legal support and supply chain management services to us. The charges for those services were billed to us primarily based on actual usage. On January 26, 2007, we entered into a Transition Services Agreement with Harris to provide for certain services during the periods subsequent to the Stratex acquisition. These services also 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 fiscal 2008, 2007 and 2006, we incurred charges of $7.0 million, $6.8 million and $5.6 million for these services from Harris.

We have sales to, and purchases from, other Harris entities from time to time. Prior to January 26, 2007, 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 January 26, 2007, these purchases and sales were recorded at market price. Our sales to other Harris entities were $3.5 million, $1.9 million and $6.5 million in fiscal 2008, 2007 and 2006. We also recognized costs associated with related party purchases from Harris of $6.1 million, $6.7 million and $12.7 million for fiscal 2008, 2007 and 2006.

Harris was the primary source of our financing and equity activities through January 26, 2007, the date of the Stratex merger. During the seven months ended January 26, 2007, Harris' net investment in us increased by $24.1 million. During fiscal 2006, Harris provided $2.8 million to recapitalize one of our subsidiaries and Harris' net investment in us decreased by $7.8 million.

Additionally, through the date of the Stratex merger, Harris loaned cash to us to fund our international entities, and we distributed excess cash 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 in fiscal 2007 and 2006 was not significant.

Additionally, we have other receivables and payables in the normal course of business with Harris. Total receivables from Harris were $4.0 million and $0.7 million as of June 27, 2008 and June 29, 2007. Total payables to Harris were $20.8 million and $17.9 million at June 27, 2008 and June 29, 2007.

Prior to January 26, 2007, MCD used certain assets in Canada owned by Harris that were not contributed to us with Harris. 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 27, 2008, our lease obligation to Harris was $2.6 million. 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.

During fiscal 2008, we paid Harris $3.8 million under this capital lease obligation resulting from the $1.3 million impairment discussed above and the lease payments. As of June 27, 2008, the future minimum payments for this lease are $1.4 million for fiscal 2009, $0.8 million for fiscal 2010, $0.5 million for fiscal 2011 and $0.2 million for fiscal 2012.

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 had 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 we 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.

We have entered into a tax sharing agreement with Harris 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 will 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 during the fiscal year ended June 27, 2008.

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 shares 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 shares of Class A common stock valued (based on market prices on the date of grant) at $60,000 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. Mr. Howard L. Lance does not receive compensation for his services as a director.

Fiscal 2008 Compensation of Non-Employee Directors

Our non-employee directors received the following aggregate amounts of compensation in respect of the fiscal year ended June 27, 2008.

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)	50,000	96,290	—	—	—	—	146,290
William A. Hasler	79,000	77,231	—	—	—	—	156,231
Clifford H. Higgerson	58,500	77,231	—	—	—	—	133,731
Charles D. Kissner	67,000	77,231	—	—	—	—	144,231
Howard L. Lance(3)	—	—	—	—	—	—	—
Dr. Mohsen Sohi	57,500	77,231	—	—	—	—	134,731
Dr. James C. Stoffel	68,000	77,231	—	—	—	—	145,231
Edward F. Thompson	77,000	77,231	—	—	—	—	154,231

(1) The amounts shown represent the compensation expense that we recognized in our fiscal year 2008 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 2008 consolidated financial statements, in

Part II, Item 8 of our annual report on Form 10-K, filed with the SEC on September 25, 2008. 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. Except for Eric C. Evans and Howard L. Lance, the grant date fair value of restricted stock awards to all directors during fiscal 2008 was $75,000. The grant date fair value of restricted stock awards to Eric C. Evans during fiscal 2008 was $90,000. No awards were made to Howard L. Lance during fiscal 2008. The awards vested or vest with respect to 25 percent of the shares awarded on April 26, 2007 and April 26, 2008 and vested or vest at the rate of 25 percent for each three-month period thereafter, becoming fully vested on January 26, 2008 and January 26, 2009, annually after commencement of service as a director. As of June 27, 2008, 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 — awards for 12,108 shares of which 4,611 shares were unvested at fiscal year end. William A. Hasler — awards for 19,236 shares of which 4,611 shares were unvested at fiscal year end. Clifford H. Higgerson — awards for 142,843 shares of which 4,611 shares were unvested at fiscal year end. Charles D. Kissner — awards for 69,253 shares of which 4,611 shares were unvested at fiscal year end. Dr. Mohsen Sohi — awards for 7,474 shares of which 3,074 were unvested at fiscal year end. Dr. James C. Stoffel — awards for 7,474 shares of which 3,074 were unvested at fiscal year end. and Edward F. Thompson — awards for 13,048 shares of which 4,611 shares were unvested at fiscal year end.

(2) Mr. Evans has elected to receive his annual retainers in the form of shares Class A common stock which vested or vest with respect to 25 percent of the shares during each of the three months in the period ended January 26, 2008 and period ending January 26, 2009. This amount represents compensation expense for the fiscal year ended June 27, 2008, as determined in accordance with SFAS 123(R.)

(3) Mr. Lance is Chief Executive Officer of Harris. Although he is considered to be one of our non-employee directors, he has elected not to take compensation for his services as a Company director.

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 26, 2008 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 26, 2008, there were 25,545,022 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 26, 2008 was 58,458,399.

	Shares Beneficially Owned as of September 26, 2008(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%
Wellington Management Company, LLP 75 State Street Boston, Massachusetts 02109	3,461,212(4)	—	13.55%	5.92%
Disciplined Growth Investors, Inc. Fifth Street Towers 100 South Fifth Street, Suite 2100 Minneapolis, MN 55402	1,739,375(5)	—	6.81%	2.98%
Fidelity Management and Research 82 Devonshire Street Boston, MA 02109	1,625,250(6)	—	6.36%	2.78%
Wentworth, Hauser & Violich, Inc. 301 Battery Street, Suite 400 San Francisco, CA 94111	1,506,472(7)	—	5.90%	2.58%
Royce & Associates LLC 1414 Avenue of the Americas New York, NY 10019	1,434,441(8)	—	5.62%	2.45%
NAMED EXECUTIVE OFFICERS AND DIRECTORS				
Harald J. Braun	10,661	—	*	*
Charles D. Kissner	579,101(9)	—	2.22%	*
Guy M. Campbell	35,500(10)	—	*	*
Eric C. Evans	12,018	—	*	*
William A. Hasler	26,736(11)	—	*	*
Clifford H. Higgerson	149,093(12)	—	*	*
Howard L. Lance	—	—	*	*
Heinz H. Stumpe	87,392(13)	—	*	*
Dr. Mohsen Sohi	10,547	—	*	*
Dr. James C. Stoffel	10,547	—	*	*
Edward F. Thompson	25,548(14)	—	*	*
Sarah A. Dudash	31,550(15)	—	*	*
John W. Koenig	15,750(16)	—	*	*
Paul A. Kennard	187,795(17)	—	*	*
All directors and executive officers as a group (18 persons)	1,431,591(18)	—	5.49%	2.45%

* 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 26, 2008 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 of 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 Wellington Management Company, LLP is based on Schedule 13F as filed with the Securities and Exchange Commission on August 31, 2008. Wellington Management Company Inc. reported sole dispositive power over 1,459,465 shares, shared dispositive power over 653,568 shares and sole voting power over 1,348,179 shares. In this same filing Wellington Trust Company, NA reported shared dispositive power and shared voting power over 508,068 shares. Wellington International Management Company Pte. Ltd reported shared dispositive power over 41,500 shares. Wellington Management International, Ltd reported shared dispositive power and shared voting power over 104,000 shares.

(5) 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 December 31, 2007. Disciplined Growth Investors, Inc. reported sole voting power over 1,501,829 shares, shared voting power over 203,300 shares, sole dispositive power over 1,705,129 shares and aggregate beneficial ownership of 1,705,129 shares.

(6) The address and number of shares of Class A common stock beneficially owned by Fidelity Management & Research is based on Schedule 13-G as filed with the Securities and Exchange Commission on February 14, 2008.. Fidelity Management & Research reported sole dispositive power over 1,625,250 shares.

(7) The address and number of shares of Class A common stock beneficially owned by Wentworth, Hauser & Violich is based on Schedule 13F as filed with the Securities and Exchange Commission on December 31, 2007. Wentworth, Hauser & Violich reported sole dispositive power and sole voting power over 1,453,382 shares.

(8) The address and number of shares of Class A common stock beneficially owned by Royce & Associates is based on Schedule 13F as filed with the Securities and Exchange Commission on August 11, 2008. Royce & Associates reported sole voting and dispositive power over 1,434,441 shares.

(9) Includes options to purchase 509,578 shares of Class A common stock that are currently exercisable or will become exercisable within 60 days of September 26, 2008.

(10) Includes options to purchase an aggregate of 23,950 shares of Class A common stock that are currently exercisable or will become exercisable within 60 days of September 26, 2008.

(11) 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 26, 2008.

(12) 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 26, 2008. 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.

(13) Includes options to purchase an aggregate of 67,292 shares of Class A common stock that are currently exercisable or will become exercisable within 60 days of September 26, 2008.

(14) 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 26, 2008.

(15) Includes options to purchase an aggregate of 9,050 shares of Class A common stock that are currently exercisable or will become exercisable within 60 days of September 26, 2008.

(16) Includes options to purchase an aggregate of 4,450 shares of Class A common stock that are currently exercisable or will become exercisable within 60 days of September 26, 2008.

(17) Includes options to purchase 141,280 shares of Class A common stock that are currently exercisable or will become exercisable within 60 days of September 26, 2008.

(18) Includes options to purchase an aggregate of 945,263 shares of Class A common stock that are currently exercisable or will become exercisable within 60 days of September 26, 2008.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee currently consists of three members of the Board, each of whom is independent of the Company and its management, as defined in the NASDAQ Listing Rules. The Board has adopted, and periodically reviews, the Audit Committee charter. The charter specifies the scope of the Audit Committee's responsibilities and how it carries out those responsibilities. The Audit Committee approved revisions to the Charter which clarified Internal Audit Departmental responsibilities to review certain related party transactions with Harris. The Board approved the revision on August 27, 2008.

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

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

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

In accordance with its responsibilities, the Audit Committee has reviewed and discussed with management the audited financial statements for the year ended June 27, 2008 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.

On July 30, 2008 we concluded that our internal control over financial reporting was not effective as of June 27, 2008 as a result of material weaknesses identified during this evaluation. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The identified material weaknesses were in regard to work-in-process and account reconciliation controls. The material weaknesses resulted in a restatement to the Company's interim consolidated financial statements for the first three fiscal quarters of fiscal 2008 (the quarters ended March 28, 2008, December 28, 2007 and September 28, 2007) and the fiscal years ended June 29, 2007, June 30, 2006, and July 1, 2005. In response to the identified material weaknesses, our management, with oversight from our Audit Committee, has dedicated significant in-house and external resources to implement enhancements to our internal control over financial reporting and remediate the

identified material weaknesses. The material weaknesses will continue to exist until the following remediation steps are fully implemented:

Project Cost Variances

- Management will generate and review a project work in process exposure report each quarter to ensure work in process is properly relieved of costs.
- Management will train the appropriate associates in the methods of review of the project costs and will create a high-level awareness of the importance of thorough project cost reviews.
- Management will ensure the timely closing of projects.
- Management will ensure that project costs are properly reconciled and evaluated for aging balances on a quarterly basis.

Account Reconciliations

- Management will complete the on-going implementation of software tools to track the account reconciliation process.
- Management will institute the processes necessary to ensure the timely completion of account reconciliations supported by a sub-ledger or other independent documentation or calculation.
- Management will dedicate appropriate resources to ensure thorough and timely reviews of account reconciliations and resolution of aged balances and reconciling items.

Based on these reviews and discussions, the Audit Committee recommended to the Board that our audited financial statements for the year ended June 27, 2008 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 LLP has been approved by our Audit Committee to act as our independent registered public accounting firm for the fiscal year ending July 3, 2009. Representatives of Ernst & Young LLP will be present at the 2008 Annual Meeting of Stockholders, will have opportunity to make a statement should they so desire, and will be available to respond to appropriate questions.

Audit and other fees billed to us by Ernst & Young LLP for the fiscal year ended June 27, 2008 are as follows:

	2007	2008
Audit Fees(1)	$2,181,400	$2,981,988
Audit-Related Fees(2)	—	13,219
Tax Fees(3)	5,500	114,268
All Other Fees(4)	—	44,042
Total Fees for Services Provided	$2,186,900	$3,153,517

(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 for the fiscal year ended June 29, 2007.

Ernst & Young LLP did not perform any professional services related to financial information systems design and implementation for us in fiscal 2008.

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

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

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

Compensation Philosophy and Objectives

Our total executive compensation program was developed within the context of the newly-created company in 2007, with primary objectives being recruiting, retaining and developing exceptional executives, enabling those individuals to achieve strategic and financial goals, rewarding superior performance and aligning the interests of our executives with our stockholders. The following principles guide our overall compensation program:

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

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

Executive Compensation Process

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

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

Competitive Benchmarking

Our compensation program for all of our officers is addressed in the context of competitive compensation practices. Our management and Compensation Committee consider external data to assist in benchmarking

total target compensation. For fiscal 2008, targets for total cash compensation (salary and bonus) for all officers were set using a benchmark group of companies contained within the National High Tech Survey published by Radford Surveys and Consulting (the "Radford Survey") for technology companies with revenues between $500 million and $1.5 billion. Targets for long-term equity compensation were set using data collected by Towers Perrin. In determining compensation for our new CEO, Mr. Harald J. Braun, the Compensation Committee utilized the services of Radford to provide advice and information to the Compensation Committee related to CEO compensation and prepared an assessment of the total direct compensation levels for the CEO position in the Radford Survey data and from publicly available proxy statements. The companies selected for cash compensation benchmarking possess the following attributes: business operations in the industries and businesses in which we participate, revenues between $500 million and $1.5 billion and complex businesses that compete for the same executive talent.

For fiscal 2008, the comparison group used for assessing the compensation of our CEO and our named executive officers included the following companies:

3COM Corp.	ADC Telecommunications, Inc.
Arris Group Inc.	Avocent Corp.
Black Box Group	Ciena Group
Comtech Telecommunications Corp.	Dycom Industries, Inc.
F5 Networks, Inc.	Foundry Networks, Inc.
Hughes Communications Inc.	Inter-Tel (Delaware) Inc.
Itron, Inc.	JDS Uniphase Corp.
Loral Space & Communications Ltd.	MasTec Inc.
MRV Communications Inc.	NETGEAR Inc.
Orbital Sciences Corp.	Plantronics Corp.
Polycom Inc.	Tekelec
ViaSat Inc.	

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

Total Compensation Elements

Our executive compensation program includes four major elements:

- base 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 factors such as revenue, operating income, net income, and cash flow from operations.

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

accountabilities than our other named executive officers, the total compensation opportunity for the CEO is higher than for our other named executive officers.

2008 Cash Compensation

Base Salary. Base salaries are provided as compensation for day-to-day responsibilities and services to us. Executive salaries are reviewed annually. To determine compensation for fiscal year 2008, our former CEO made recommendations regarding each named executive officer's base pay to the Compensation Committee in August 2007. The Compensation Committee considered each executive officer's responsibilities, as well as the Company's performance and did not recommend any increases in base salary for named executive officers or any other officers in fiscal 2008 due to business performance and operating results. The base salaries for fiscal 2008 for our named executive officers are set forth in the Summary Compensation Table, below.

The compensation for our current CEO, Mr. Harald J. Braun, was established in April 2008 based on negotiations between Mr. Braun, who was then employed by another company, and our Chairman, Mr. Charles Kissner, acting under the oversight of the Compensation Committee.

Short Term Incentive Compensation Award

Incentive Pay. The short-term incentive element of our executive compensation program consists of an all cash-based Annual Incentive Plan, or AIP. Based on recommendations by the CEO, the Compensation Committee sets an annual incentive compensation target, expressed as a percentage of base salary, for each executive officer in August following the end of the prior fiscal year. The Compensation Committee recommends to the Board the target for our CEO at the same time. The Compensation Committee also establishes specific Company financial performance measures and targets including the relative weighting and payout thresholds. The financial targets are aligned with our Board-approved annual operating plan, and during the year periodic reports are made to the Board about our performance compared with the targets. Under the AIP, a significant portion of the executive's annual cash compensation is tied directly to our financial performance. Our CEO is authorized to adjust individual cash awards plus or minus 20 percent to recognize the unique contributions of each executive officer. The target amount of annual incentive cash compensation under our AIP, expressed as a percentage of base salary, generally increases with an executive's level of management responsibility. AIP target cash incentive can represent 50% — 100% of the base cash compensation for our named executive officers. If performance results meet target levels, our executives can earn 100% of their target cash incentive. No cash incentive can be earned for performance below the minimum threshold; however, at 120% of target levels for revenue and 125% of target levels for operating income, executives can earn 200% of their target cash incentive.

For fiscal year 2008, the AIP contained minimum thresholds and payout ratios for both performance measures and assigned a weight of 60% to revenue and 40% to operating income. The target amounts were established in August 2007. The operating income performance measure included a condition that the Company achieve a minimum of $57 million in cash flow from operations. Performance relative to each measure was evaluated independently (see Table 1, below), and the plan provided for zero payout unless Company performance met at least one target threshold percentage. The revenue target, $704 million, was computed in accordance with generally accepted accounting principles, or GAAP, for the fiscal year ended June 27, 2008. The operating income target, $96 million, was computed in accordance with GAAP, for the fiscal year ended June 27, 2008, as adjusted to exclude certain charges and adjustments such as post-merger purchase accounting adjustments, amortization of identifiable intangible assets, amortization of valuation increases to 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 and inventory mark-downs were eliminated from the operating income target for the fiscal year ended June 27, 2008. These exclusions were approved by the Compensation Committee.

Table 1

Annual Incentive Plan		Results-Driven Payout	
Metric	Tiers	Performance (as % of Financial Target) (%)	Payout (as % of Award Target) (%)
Revenue, as adjusted (60)%	Minimum Threshold	90	50
	Target	100	100
	Maximum Threshold	120	200
Operating Income, as adjusted (40)%	Minimum Threshold	80	50
	Target	100	100
	Maximum Threshold	125	200

The fiscal year 2008 AIP did not guarantee payout of the target amounts, and the Compensation Committee considered the revenue and operating income targets to be challenging. During the 2008 fiscal year AIP, we achieved 102 percent of the revenue target but did not achieve the operating income target. Our named executive officers received approximately 66 percent of their total target cash available under this plan. The specific amount paid to each named executive officer is shown on the Summary Compensation Table, below. Our new Chief Executive Officer received $131,876, which represented approximately 19 percent of his base salary. We expect short-term incentive pay to continue to be a component of our total executive compensation program.

Long-Term Incentive Compensation Awards

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

Our LTIP is designed to motivate our executives to focus on achievement of our long-term financial goals. Performance share grants motivate our executives to achieve our long-term goals and to the extent our results affect our stock price, link such results with the performance of our stock over a three-year period. Using equity awards helps us to retain executives, encourage share ownership and maintain a direct link between our executive compensation program and the value and appreciation in the value of our stock. We made LTIP awards in fiscal year 2007 give incentives for performance through the end of fiscal year 2009, but the Compensation Committee did not authorize any LTIP awards in fiscal year 2008 based on the impact which the associated non-cash expenses would have had on the reported operating results of the business. For fiscal year 2009, the Compensation Committee has authorized Long Term Incentive Plan awards that will provide incentives for performance through fiscal year 2011.

Performance Shares. In general, the Compensation Committee determines the applicable multi-year performance criteria and plan cycle for performance share awards with a view to allowing the shares to be earned at the end of each 3-year plan cycle. For fiscal 2008, the Compensation Committee did not authorize, or recommend to the Board of Directors that it authorize, the grant of any performance shares. Accordingly, the only performance share compensation in effect is that approved under the performance share awards issued in fiscal year 2007 with the potential for vesting based on our financial performance through fiscal year 2009.

Stock Options. Stock options directly align the interests of executives and shareholders as the options only result in gain to the recipient if our stock price increases above the exercise price of the options. In addition, options are intended to help retain key employees because they vest over a period of three years, and to assist hiring new executives by replacing the value of stock options that may have been forfeited as a result of leaving a former employer. Generally, options are granted with an exercise price equal to the fair market value of the Class A common stock on the grant date, which is the closing price on the NASDAQ Global

Market on that date. Typically, the Compensation Committee awards stock options that vest and become exercisable solely on the basis of continued employment, or other service, usually over three years, with 50 percent vesting on the first anniversary of the date of the grant and an additional 25 percent vesting on the second and third anniversaries of the date of the grant. The Compensation Committee did not authorize option grants to any of the named executive officers or other officers in fiscal 2008 due to the impact it would have had on reported operating results. The only stock options currently outstanding for our named executive officers are those awarded in fiscal year 2007, as set forth in the table of Outstanding Equity Awards at Fiscal Year-End on 2008, below.

Restricted Stock Awards. Awards of restricted shares or units may be made on a selective basis to individual executives primarily to facilitate retention and succession planning or to replace the value of equity awards that may have been forfeited as a result of the executive's leaving a former employer. 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, which is the closing price on the NASDAQ Global Market on that date, without reduction to reflect vesting or other conditions.

New CEO

The Board did not grant performance shares or stock options to our new CEO, Mr. Braun, in connection with the commencement of his employment in April 2008. However, pursuant to his employment agreement, Mr. Braun will be eligible to participate in the LTIP starting in fiscal year 2009 and will be entitled to receive options and performance shares with a GAAP value of approximately $1,400,000 as an initial award. In fiscal year 2008, restricted stock awards were made to Mr. Braun in recognition of certain compensation from his former employer that he relinquished when he joined us, which awards are shown in the table of Grants of Plan-Based Awards in Fiscal 2008. This restricted stock award represented 4% of his overall fiscal year 2008 compensation. These shares are subject to repurchase for nominal consideration if he does not remain continuously employed by us through the specified vesting period. In addition, Mr. Braun participated in our 2008 AIP on a pro-rata basis based on the fraction of the fiscal year during which he was employed, and received $131,876. He received $50,000 as a one-time cash payment under the terms of his employment agreement.

Departure of Former CEO

Pursuant to a separation agreement, our former President and Chief Executive Officer, Mr. Guy M. Campbell, resigned as President and Chief Executive Officer effective April 8, 2008 and agreed to remain as a senior advisor and employee until June 27, 2008. The agreement provides Mr. Campbell with the benefits described in the Summary Compensation Table, below. Mr. Campbell's agreement was concluded after careful deliberation by the Board and was designed to balance the circumstances of his departure and the performance of the Company with the need for closure and a rapid transition to new management. Under the agreement:

- Mr. Campbell will receive severance benefits at an annual rate of $500,000 for a period of 30 months following his last day of employment on June 27, 2008. Payments otherwise due before January 1, 2009 will be paid in one lump sum in January 2009.

- Mr. Campbell will receive an AIP payment of $330,000 earned in fiscal year 2008.

Stock Ownership Guidelines

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

Tax and Accounting Considerations

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

Accounting Considerations. The Compensation Committee also considers the accounting and cash flow implications of various forms of executive compensation. In its financial statements, the Company records salaries and performance-based compensation such as bonuses as expenses in the amount paid or to be paid to the named executive officers. Accounting rules also require the Company to record an expense in its financial statements for equity awards, even though equity awards are not paid as cash to employees. The accounting expense of equity awards to employees is calculated in accordance with Statement of Financial Accounting Standards No. 123(R). The Compensation Committee believes that the many advantages of equity compensation, as discussed above, more than compensate for the non-cash accounting expense associated with them.

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

In fiscal year 2008, our named executive officers were eligible to participate in the health and welfare programs that are generally available to all full-time U.S.-based employees, including medical, dental, vision, life, short-term and long-term disability, employee assistance, flexible spending and accidental death and dismemberment. Except for allowances provided to former Stratex officers and our new CEO, such as a housing allowance, we do not provide perquisites to our named executive officers.

In addition, the named executive officers and all other eligible U.S.-based employees can participate in our tax-qualified 401(k) Plan. Under the 401(k) Plan, all eligible employees can receive matching contributions from the Company. Our company-matching contribution for the 401(k) Plan during fiscal year 2008 was 100 percent of the first five percent of contributions by the employee to the 401(k) Plan, to a maximum per participating employee of $20,500 for employees age 50 and over during each calendar year, as allowed by the IRS. We do not provide defined benefit pension plans or defined contribution retirement plans to the named executive officers or other employees other than the 401(k) Plan, or as required in certain countries other than the United States, for legal or competitive reasons.

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. 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 27, 2008.

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 each of our fiscal years ended June 27, 2008 and June 29, 2007 of our named executive officers, who consisted of our Chief Executive Officer, Chief Financial Officer, the next three other most highly compensated executive officers, and our former chief executive officer who would have been included in such table had he served as an executive officer at June 27, 2008.

Name/Principal Position	Fiscal Year(1)	Salary(3) ($)	Bonus ($)	Stock Awards(4) ($)	Option Awards(5) ($)	Non-Equity Incentive Plan Compensation(6) ($)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (7) ($)	All Other Compensation(8) ($)	Total ($)
Harald J. Braun, President, Chief Executive Officer, and Director	2008	160,385	—	15,430	—	131,876	—	74,239	381,930
Sarah A. Dudash, Vice President and Chief Financial Officer	2008	240,000	—	204,329	119,570	87,120	—	21,737	672,756
	2007	187,000	—	116,646	66,474	63,516		85,621	519,257
Paul A. Kennard, Chief Technology Officer	2008	325,000	—	167,508	256,883	149,213	—	204,702	1,103,306
	2007	156,996	—	69,943	106,317	47,500	—	13,233	393,989
Heinz H. Stumpe, Vice President, Global Operations	2008	308,308	—	147,022	155,445	99,000	—	28,230	738,005
	2007	143,166	—	61,402	60,172	36,000	—	16,400	317,140
John W. Koenig, Vice President, Product Line Management	2008	235,000	—	161,460	101,742	62,816	—	21,297	582,315
	2007	205,756	—	138,953	55,489	45,528	—	67,707	513,433
Guy M. Campbell, former President, Chief Executive Officer, and Director(2)	2008	500,000	—	238,273	147,718	330,000	—	1,549,454	2,765,445
	2007	426,346	—	368,941	283,109	126,000	—	108,349	1,312,745

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

Our 2007 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, compensation awards for Mr. Campbell, Ms. Dudash and Mr. Koenig represent their total compensation for the entire fiscal year 2007 because they were employed by MCD, our accounting predecessor, prior to the acquisition. [Amounts for Mr. Kennard and Mr. Stumpe represent total compensation for their services for the period from January 26, 2007, when their employment with us commenced, through June 29, 2007.]

(2) Mr. Campbell resigned as Chief Executive Officer and a director effective April 8, 2008.

(3) The annual base salary for Mr. Braun is $695,000. The amount in the Summary Compensation table, $160,385, reflects the salary received for the period April 8, 2008 through June 27, 2008.

(4) For the fiscal year ended June 27, 2008, these stock awards consist of awards of restricted stock and performance shares granted on February 28, 2007 and May 6, 2008 pursuant to our 2007 Stock Equity Plan, and for Mr. Campbell, Ms. Dudash, and Mr. Koenig, also include awards from Harris. The amount of compensation for awards under the Harris plan was $238,273 for Mr. Campbell, $48,092 for Ms. Dudash and $76,425 for Mr. Koenig. The amount of compensation for awards under the 2007 Stock Equity Plan was $0 for Mr. Campbell, $156,237 for Ms. Dudash, $15,430 for Mr. Braun, $167,508 for Mr. Kennard, $147,022 for Mr. Stumpe and $85,035 for Mr. Koenig. Mr. Campbell's fiscal year 2007 equity compensation expense was $116,844. In Fiscal year 2008, a portion of that expense was reversed due to forfeitures. The remainder will be reversed in fiscal year 2009. 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 2008 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 2008 consolidated financial statements, included in Part II, Item 8 of our Annual Report on Form 10-K, filed with the SEC on September 25, 2008. 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.

For the fiscal year ended June 29, 2007, these stock awards consisted 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 was $284,791 for Mr. Campbell, $51,439 for Ms. Dudash and $103,455 for Mr. Koenig. The amount of compensation for awards under the 2007 Stock Equity Plan was $84,150 for Mr. Campbell, $65,207 for Ms. Dudash, $69,943 for Mr. Kennard, $61,402 for Mr. Stumpe 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) For the fiscal year ended June 27, 2008, 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 $147,718 for Mr. Campbell, $32,107 for Ms. Dudash and $58,735 for Mr. Koenig. Compensation for former Stratex option grants was $184,400 for Mr. Kennard and $100,841 for Mr. Stumpe. Compensation for options granted under the 2007 Stock Equity Plan was $0 for Mr. - Campbell, $87,463 for Ms. Dudash, $72,483 for Mr. Kennard, $43,007 for Mr. Koenig and $54,604 for Mr. Stumpe. Equity compensation expense of $45,964 for Mr. Guy Campbell related to fiscal year 2007 was reversed in fiscal 2008. The amounts shown are the amounts of annual compensation expense that we recognized in our fiscal year 2008 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 2008 consolidated financial statements, included in Part II, Item 8 of our Annual Report on Form 10-K/A filed with the SEC on September 25, 2008. 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.

For fiscal year ended June 29, 2007, 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 and $44,081 for Mr. Koenig. Compensation for former Stratex option grants was $87,090 for Mr. Kennard and $45,688 for Mr. Stumpe. 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, $14,484 for Mr. Stumpe, 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/A filed with the SEC on September 25, 2008. 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) For the fiscal year ended June 27, 2008, represents amounts paid in fiscal 2009 in respect of 2008 performance under the fiscal year 2008 AIP.

For the fiscal year ended June 29, 2007, 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 fiscal 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 and $18,928 for Mr. Koenig.

(7) We do not currently have our own pension plan or deferred compensation plan. However, Mr. Campbell is, and Ms. Dudash and Mr. Koenig will be upon retirement, 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	Year	Life Insurance (a) ($)	Housing and Auto Allowance (b) ($)	Vacation Payout (c) ($)	Merger Bonus (d) ($)	Travel Disruption (e) ($)	Other Bonus (f) ($)	Company Contributions to Harris Corporation Retirement Plan (g) ($)	Company Contributions to Harris Corporation Supplemental Employee Retirement Plan (h) ($)	Company Matching Contributions Under 401(k) Plan (i) ($)	Severance and Related Benefits (j) ($)	Total All Other Compensation ($)
Harald J. Braun	2008	—		—	—	—	74,239	—	—	—	—	74,239
Sarah A. Dudash	2008	1,402	—	—	—	—	—	6,670	—	13,665	—	21,737
	2007	438	—	—	32,500	16,079	—	28,484	3,043	5,077	—	85,621
Paul A. Kennard	2008	3,664	76,800	—	—	—	100,000	—	—	24,238	—	204,702
	2007	—	5,400	—	—	—	—	—	—	7,833	—	13,233
Heinz H. Stumpe	2008	1,740	24,750	—	—	—	—	—	—	1,740	—	28,230
	2007	—	16,400	—	—	—	—	—	—	—	—	16,400
John W. Koenig	2008	575	—	—	—	—	—	8,998	—	11,724	—	21,297
	2007	274	—	—	5,000	21,446	—	19,477	16,539	4,971	—	67,707
Guy M. Campbell	2008	7,524	—	96,152	—	—	—	15,111	12,707	7,808	1,410,152	1,549,454
	2007	3,782	—	—	—	—	—	30,462	74,105	—	—	108,349

(a) For fiscal year ended June 27, 2008, represents premiums paid by Harris Stratex for life insurance that represent taxable income for the named executive officer in calendar 2007 or 2008.

For fiscal year ended June 29, 2007, represents premiums paid by Harris for life insurance prior to January 26, 2007 that represent taxable income for the named executive officer in 2007 or 2008.

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

(c) Represents accrued vacation paid to Mr. Campbell upon his retirement.

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

(e) 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.

(f) Represents a sign-on bonus paid to Mr. Braun and an international assignment bonus for Mr. Kennard.

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

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

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

(j) Represents severance benefits to this former chief executive officer under the terms of his separation agreement.

Grants of Plan-Based Awards in Fiscal 2008

The following table lists our grants and incentives during our fiscal year ended June 27, 2008 of plan based awards, both equity and non-equity based and including our Annual Incentive Plan, to the named executive officers and listed in the Summary Compensation Table. There is no assurance that the grant date fair value of stock and option awards will ever be realized.

		Estimated Possible Payouts Under Short-Term Non-Equity Incentive Plan Awards in Fiscal 2008			All Other Stock Awards in Fiscal 2008			
Name	Grant Date (1)	Threshold ($)	Target ($)	Maximum ($)	Number of Shares of Stock or Units (#)	Number of Security Underlying Options (#)	Exercise or Base Price of Option Awards ($/Share)	Grant Date Fair Value of Stock and Option Awards (4)
Harald J. Braun . . .	05/06/08	80,193	160,385	320,770	—	—	—	—
Harald J. Braun . . .	N/A	—	—	—	10,661(3)	—	—	100,000
Sarah A. Dudash . . .	N/A	79,200	132,000	264,000	—	—	—	—
Paul A. Kennard . . .	N/A	113,040	188,400	376,800	—	—	—	—
Heinz H. Stumpe . . .	N/A	90,000	150,000	300,000	—	—	—	—
John W. Koenig	N/A	52,875	105,750	211,500	—	—	—	—
Guy M. Campbell . .	N/A	300,000	500,000	1,000,000	—	—	—	—

(1) Awards of Class A common stock under our 2007 Stock Equity Plan

(2) The amounts shown under Estimated Possible Payouts Under Short Term Non-Equity Incentive Plan Awards reflect possible payouts under our fiscal 2008 Annual Incentive Plan. The actual amount earned by each named executive officer for fiscal 2008 pursuant to our 2008 Annual Incentive Plan is set forth in the Summary Compensation Table above under the column titled "Non-Equity Annual Incentive Plan Compensation."

(3) Restricted stock vests, if at all, in full only on April 8, 2009, the first anniversary of Mr. Braun's employment.

(4) 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 in fiscal 2008. The grant date fair value of the stock and option awards was determined under SFAS 123(R) and represents the amount we would expense in our financial statements over the entire vesting schedule for the awards. The grant date fair value was based on a grant price of $9.38, the closing market price of our common stock on May 6, 2008, the grant date. 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 27, 2008. This amount reflects our accounting for this grant and does not correspond to the actual value that may be recognized by Mr. Harald Braun.

Proxy Statement

Outstanding Equity Awards at Fiscal Year-End 2008

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 27, 2008. Each grant of options or unvested stock awards is shown separately for each named executive officer. The vesting schedule for each award of options is shown in the footnotes following this table based on the option grant date. The material terms of the option awards, other then exercise price and vesting are generally described below in “Proposal No. 4, Approval of the 2007 Stock Equity Plan”.

	Option Awards						Stock Awards			
Name	[awards listed in chronological order] Award Grant Date	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that have not Vested (#)	Market Value of Shares or Units of Stock that have not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares Units or Other Rights that have not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that have not Vested ($)
Harald J. Braun	05/06/08	—	—	—	—	—	10,661	102,132	—	—
Sarah A. Dudash	02/28/07	—	18,100(6)	—	20.40	02/28/14	—	—	—	—
	02/28/07	—	—	—	—	—	—	—	8,800(7)	84,304(10)
	02/28/07	—	—	—	—	—	11,700(9)	112.086(10)	—	—
	08/25/06	2,100	2,100(1)	—	43.82	08/25/13	—	—	—	—
	08/26/05	3,075(3)	1,025	—	37.19	08/26/12	—	—	—	—
	08/26/05	—	—	—	—	—	1,000(5)	51,180(11)	—	—
	08/27/04	5,800(3)	—	—	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	—	—	—	—
	09/26/01	2000(3)	—	—	16.70	09/27/12	—	—	—	—
	10/06/00	2,000(3)	—	—	12.66	10/06/10	—	—	—	—
	08/27/99	1,102	—	—	12.36	08/27/09	—	—	—	—
Paul A. Kennard.	02/28/07	7,500	7,500(6)	—	20.40	02/28/14	—	—	—	—
	02/28/07	—	—	—	—	—	—	—	7,300(7)	69,934(10)
	02/28/07	—	—	—	—	—	15,300(9)	146,574(10)	—	—
	06/06/06	22,500(3)	—	—	16.04	06/06/16	—	—	—	—
	06/30/05	12,500(3)	—	—	6.88	06/30/15	—	—	—	—
	03/30/04	37,500(8)	—	—	17.52	03/30/14	—	—	—	—
	12/20/02	21,250(8)	—	—	8.20	12/20/12	—	—	—	—
	06/28/02	7,036(8)	—	—	8.04	06/28/12	—	—	—	—
	06/28/02	11,713(8)	—	—	8.04	06/28/12	—	—	—	—
	10/22/01	8,750(8)	—	—	24.40	10/22/11	—	—	—	—
	05/09/00	1,309(8)	—	—	120.25	05/09/10	—	—	—	—
	05/09/00	7,441(8)	—	—	120.25	05/09/10	—	—	—	—
	05/03/99	6,250(8)	—	—	48.50	05/03/09	—	—	—	—
	10/19/98	31(8)	—	—	11.75	10/19/08	—	—	—	—
Heinz H. Stumpe	02/28/07	5,650	5,650	—	20.40	02/28/17	—	—	—	—
	06/06/06	13,334	6,666	—	16.04	06/06/16	—	—	—	—
	03/30/04	12,500	—	—	17.52	03/30/14	—	—	—	—
	01/29/04	3,899	—	—	21.44	01/29/14	—	—	—	—
John W. Koenig	02/28/07	4,450	4,450(6)	—	20.40	02/28/14	—	—	—	—
	02/28/07	—	—	—	—	—	—	—	4,300(7)	41,194(10)
	02/28/07	—	—	—	—	—	7,000(9)	67,060(10)	—	—
	08/25/06	3,450(3)	1,150(1)	—	43.82	02/25/13	—	—	—	—
	08/25/06	—	—	—	—	—	1,100(4)	56,298(11)	—	—
	08/25/06	—	—	—	—		2,000(4)	102,360(11)	—	—
	08/26/05	4,500(3)	—	—	37.19	08/26/12	—	—	—	—
	08/26/05	—	—	—	—	—	1,100(5)	56,298(11)	—	—
	08/27/04	4,800(3)	—	—	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	—	—	—	—
Guy M. Campbell	02/28/07	23,950[6]	—	—	20.40	12/27/10	—	—	—	—
	08/25/06	11,000(3)	—	—	43.82	12/27/10	—	—	—	—
	08/26/05	17,775(3)	—	—	37.19	12/27/10	—	—	—	—
	08/27/04	24,000(3)	—	—	24.00	12/27/10	—	—	—	—
	09/08/03	50,000(3)	—	—	17.54	12/27/10	—	—	—	—

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 vests, 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, 2005. The award is for Harris common stock. These shares were issued by Harris in August 2005.

(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, with the exception of Mr. Campbell. At the end of fiscal year 2008 fifty percent of Mr. Campbell's options were fully vested and fifty percent were forfeited.

(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 July 3, 2009.

(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 $9.58 on June 27, 2008, 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 $51.18 on June 27, 2008, as reported by the New York Stock Exchange.

Option Exercises and Stock Vested in Fiscal 2008

The following table provides information for each of our named executive officers regarding (1) Harris stock option exercises during fiscal 2008, 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 2008. No options to purchase Class A common stock were exercised and no stock awards granted by us vested during fiscal 2008.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise(1) ($)	Number of Shares Acquired on Vesting (#)	Value Received on Vesting (2) ($)
Harald J. Braun	—	—	—	—
Sarah A. Dudash	4,000	195,487	4,000	233,920
Paul A. Kennard	—	—	—	—
Heinz H. Stumpe	—	—	—	—
John W. Koenig	6,600	280,830	3,000	176,850
Guy M. Campbell	10,000	222,571	12,000	707,400

(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 27, 2008, relating to our equity compensation plan pursuant to which grants of options, restricted stock and performance shares may be granted from time to time and the option plans and agreements assumed by us in connection with the Stratex acquisition:

Plan Category	Number of securities to be issued upon exercise of options warrants and rights	Weighted-average exercise price of outstanding options warrants and rights(1)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity Compensation plan approved by security holders(2)	559,007	$19.67	4,389,488
Equity Compensation plans not approved by security holders(3)	2,518,464	$23.36	—
Total	3,077,471	$22.98	4,389,488

(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 pursuant to the Stratex acquisition. The Stratex plans were duly approved by the shareholders of Stratex prior to the acquisition with us. No shares are available for future awards under those plans. For additional discussion, see Note P in Form 10K filed on September 25, 2008.

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 ($)	Registrant Contributions in Last FY(1) ($)	Aggregate Earnings in Last FY(2) ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE(3) ($)
Harald J. Braun	—	—	—	—	—
Sarah A. Dudash	—	—	—	—	—
Paul A. Kennard	—	—	—	—	—
Heinz H. Stumpe	—	—	—	—	—
John W. Koenig	—	—	(7,999)	—	68,684
Guy M. Campbell	—	12,707	(46,417)	—	434,849

(1) 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 2008 include profit sharing payments contributed by Harris in September 2007 in respect of fiscal 2007 performance.

(2) Losses are calculated using the daily market activity on each investment fund.

(3) 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 27, 2008 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 27, 2008, the fair value of accelerated equity vesting of Harris awards in the event of death would be $211,118 for Ms. Dudash and $273,813 for Mr. Koenig. 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)($)	Total ($)
Harald J. Braun	Termination without cause or for good reason	24	57,917	1,390,008	695,000(6)	2,535,008(7)	102,132	25,368	—	2,662,508
	Within 6 months before or 18 months after Change of Control	36	57,917	2,085,012	695,000(6)	3,230,012(7)	102,132	38,052	—	3,370,196
Sarah A. Dudash . . .	Termination without cause or for good reason, or due to disability	12	20,000	240,000	132,000	372,000	—	20,136	30,000	422,136
	Within 18 months after Change of Control	24	20,000	480,000	132,000	612,000	463,078	40,272	30,000	1,145,350
Paul A. Kennard . . .	Termination without cause or for good reason, or due to disability	12	26,167	314,004	188,400	502,404	—	17,028	30,000	549,432
	Within 18 months after Change of Control	24	26,167	628,008	188,400	816,408	216,508	34,056	30,000	1,096,972
Heinz H. Stumpe . . .	Termination without cause or for good reason, or due to disability	12	25,692	308,304	150,000	458,304	—	5,388	30,000	493,692
	Within 18 months after Change of Control	24	25,692	616,608	150,000	766,608	192,558	10,776	30,000	999,942
John W. Koenig	Termination without cause or for good reason, or due to disability	12	19,583	234,996	105,750	340,746	—	20,136	30,000	390,882
	Within 18 months after Change of Control	24	19,583	469,992	105,750	575,742	323,210	40,272	30,000	969,224

(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 27, 2008.

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

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

(6) Prorated based on the proportion of the current fiscal year preceding termination.

(7) Additional severance of $450,000 is included.

Our employment agreement with Mr. Harald J. Braun, 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 24 months following his termination;

- an additional severance payment of $450,000 to be paid within 15 days of the effective date of release and only if such termination occurs within three years after his start date;
- payment of premiums necessary to continue his group health insurance under COBRA until the earlier of (a) 24 months following termination date; 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; provided, however, if he is 60 years of age or older on the date of termination (other than death), and has been employed by the Company for more than three years as of the date of termination, the Company will pay premiums under COBRA until he reaches the age of 65 or eligible to participate in another employer's health insurance plan, whichever comes first;
- 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 shall be accelerated with respect to any options that would become exercisable within 365 days after the termination date and if termination occurs prior to the second anniversary of his start date any additional vesting that would have occurred through such second anniversary but no other vesting shall occur; however, he will be entitled to purchase any vested shares subject to his options until the earlier of 24 months following termination date or the date on which the applicable option(s) expire(s);
- restricted shares issued shall be accelerated;
- a pro rata portion based on a proportion of the fiscal year prior to termination of performance shares for the relevant measurement period will vest based upon actual company performance for the measurement period in which termination occurs.

In addition, the agreement provides that if within 6 months before or 18 months following a Change of Control, Mr. Braun's employment with us is terminated by us without cause, or Mr. Braun 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;
- 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 define a "Change of Control" as follows:

- any merger, consolidation, share exchange or acquisition, unless immediately following such merger, consolidation, share exchange or acquisition of at least 50 percent of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of: the entity resulting from such merger, consolidation or share exchange, or the entity which has acquired all or substantially all of our assets (in the case of an asset sale that satisfies the criteria of an acquisition) (in either case, the "Surviving Entity"), or
- if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50 percent or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity is represented by our securities that were outstanding immediately prior to such merger, consolidation, share exchange or acquisition (or, if applicable, is represented by shares into which such Company securities were converted pursuant to such merger, consolidation, share exchange or acquisition), or
- any person or group of persons (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended and in effect from time to time) directly or indirectly acquires beneficial ownership (determined pursuant to SEC Rule 13d-3 promulgated under the said Exchange Act) of

securities possessing more than 30 percent of the total combined voting power of our outstanding securities pursuant to a tender or exchange offer made directly to the our stockholders that the Board does not recommend such stockholders accept, other than: (i) 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 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.

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

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* For the purposes of Mr. Braun'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.

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 2008, and Forms 5 (or any written representations) received with respect to fiscal year 2008, we believe that all directors, officers, executive officers and 10 percent stockholders complied with all applicable Section 16(a) filing requirements during fiscal 2008.

PROPOSAL NO. 1:

ELECTION OF DIRECTORS

At the 2008 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 27, 2008, 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, submit a proxy card or other voting instructions, as the case may be, indicating your intention to withhold your vote in favor of any or all of the 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	61
William A. Hasler	Director	66
Clifford H. Higgerson	Director	68
Edward F. Thompson	Director	70

Class B directors are nominated and elected by Harris.

CLASS B DIRECTORS

Name	Title	Age
Harald J. Braun	Director, Chief Executive Officer	52
Eric C. Evans	Director	55
Howard L. Lance	Director	52
Dr. Mohsen Sohi	Director	49
Dr. James C. Stoffel	Director	62

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 APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board has appointed Ernst & Young LLP as our independent registered public accounting firm to audit our consolidated financial statements for the fiscal year ending July 3, 2009. During fiscal year 2008, 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 July 3, 2009 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 AUDIT COMMITTEE'S APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE 2009 FISCAL YEAR

PROPOSAL NO. 3

APPROVAL OF THE MATERIAL TERMS OF THE ANNUAL INCENTIVE PLAN

We are requesting that the stockholders vote in favor of approving the Company's Annual Incentive Plan (the "Plan"), which was adopted by the Board on August 27, 2008. In accordance with Treasury Regulations

applicable to Section 162(m) of the Code, we are seeking your approval of the material terms of this Plan. A copy of the Plan is attached as Appendix A to this Proxy Statement. The following description of the Plan is only a summary, and we encourage you to read the Plan in its entirety in order to review the actual terms of the Plan. By voting in favor of this proposal, you will be voting to approve the material terms of the Plan for purposes of qualifying awards thereunder as performance-based compensation under Section 162(m) of the Code.

Purpose. The Plan is intended to promote the growth and performance of the Company by linking a portion of the total annual compensation for certain key employees to attainment of business objectives and by assisting in the attraction, retention and motivation of certain key employees.

Administration. The Plan may be administered by the Compensation Committee of the Board, by another designated Compensation Committee, or by the Board directly. The designated administrator, or the Compensation Committee, has the discretion, subject to the provisions of the Plan, to determine the employee, consultant or director to receive an award, the form of award and any acceleration or extension of an award. Further, the Compensation Committee has complete authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective award agreements (which need not be identical), and to make all other determinations necessary or advisable for the administration of the Plan.

Eligibility. Employees of the Company and its affiliates are eligible to be designated by the Compensation Committee as a Plan participant and to receive awards under the Plan.

Awards. Plan participants will be eligible to receive awards as determined by the Compensation Committee in its sole discretion, and will receive payments pursuant to awards based upon the degree of achievement of performance goals.

Qualified performance-based awards are awards which include performance criteria intended to satisfy Section 162(m) of the Code. Section 162(m) of the Code limits the Company's federal income tax deduction for compensation to certain specified senior executives to $1 million, but excludes from that limit "performance-based compensation." Accordingly, qualified performance-based awards will be subject to satisfaction of one of the following criteria, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or affiliate, either individually, alternatively, or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Compensation Committee in the award:

cash flow (before or after dividends)	earnings per share (including, without limitation, earnings before interest, taxes, depreciation and amortization)
stock price	return on equity
stockholder return or total stockholder return	return on capital (including without limitation return on total capital or return on invested capital)
return on investment	return on assets or net assets
market capitalization	economic value added
debt leverage (debt to capital)	revenue
sales or net sales	backlog
income, pre-tax income or net income	operating income or pre-tax profit
operating profit, net operating profit or economic profit	gross margin, operating margin or profit margin
return on operating revenue or return on operating assets	cash from operations
operating ratio	operating revenue
market share improvement	general and administrative expenses
customer service	

No payment or other amount will be available to a recipient of a qualified performance-based award except upon the Compensation Committee's determination that a particular goal or goals established by the Compensation Committee for the criteria (from among those specified above) selected by the Compensation Committee have been satisfied. The maximum qualified performance-based award payment to any one participant for a performance period is $2,500,000.

Effect of Termination of Employment or Association. Generally, if a participant's employment with the Company or any affiliate is terminated for any reason prior to the last day of a performance period, then the participant will forfeit the award and will not become entitled to any payment thereunder. If, however, a participant's employment is terminated during the performance period due to death, disability, normal retirement or involuntary termination caused by a reduction in force, then the participant will be entitled to a pro-rated payment of the award that would have been payable if the participant had been a participant on the last day of the performance period, based upon the Compensation Committee's determination as to whether the applicable performance goal or goals are achieved within such performance period.

Change of Control. In the event of a change of control, the Company will, as promptly as practicable following the effective date of the change of control, pay any awards payable to participants. The payment to each participant will be an amount not less than the target award as originally approved for the performance period. For this purpose, a change of control is defined as the occurrence of any of: (a) a transaction after which less than 50% of the voting power of the resulting entity or ultimate parent entity is represented by previously issued and outstanding Company securities, or securities into which the Company securities were converted; (b) a merger, consolidation, share exchange or acquisition after which less than 50% of the voting power of the resulting entity or ultimate parent entity is represented by previously issued and outstanding Company securities or securities into which the Company securities were converted; (c) other than by means of a merger, consolidation, share exchange or acquisition, a person or group of persons obtains more than 30% of the total combined voting power of the Company (exempting Harris, until such time as it beneficially owns less than 30% of the total voting power of the Company, and also the employee benefit plans and trustees of employee benefits plans for the Company and its affiliates (other than Harris), and any underwriters temporarily holding securities prior to an offering of such securities); (d) the composition of the Board changes, over a period of 36 months or less, such that a majority of the individuals on the Board are no longer at least one of the following: (i) directors appointed before the adoption of the Plan or directors who have served throughout the period, (ii) appointees of Harris, or (iii) directors elected by a majority of directors that (x) belong to the same class of directors as such director, and (y) satisfied the criteria above at the time they voted for such director; or (e) a majority of the Board determines that a change in control has occurred. However, no change of control will be deemed to have occurred under the Plan if, immediately before any occurrence described above, Harris owns more than 30% of the total voting power of the Company and if, immediately after any such occurrence, Harris owns a majority of the total voting power of the Company.

Amendments to the Plan. Generally the Board may amend or modify the Plan at any time subject to the rights of holders of outstanding awards on the date of amendment or modification.

Summary of Tax Consequences. The following is a brief and general discussion of the United States federal income tax consequences to recipients of awards granted under the Plan. This summary is not comprehensive and is based upon laws and regulations in effect on September 1, 2008. Such laws and regulations are subject to change. This summary is intended for the information of shareholders considering how to vote and not as tax guidance to participants in the Plan. Participants in the Plan should consult their own tax advisors as to the tax consequences of participation.

A participant will generally recognize ordinary income on receipt of payment in satisfaction of an award. In general, whenever a participant is required to recognize ordinary income in connection with an award, the Company will be entitled to a corresponding tax deduction. However, the Company will not be entitled to deductions in connection with awards under the Plan to certain senior executive officers to the extent that the amount of deductible income in a year to any such officer, together with his or her other compensation from the Company exceeds the $1 million limitation of Section 162(m) of the Code. Compensation which qualifies as "performance-based" is not subject to this limitation, however.

For purposes of the foregoing summary, we assumed that no award under the Plan will be considered "deferred compensation" as that term is defined for purposes of recent federal tax legislation governing nonqualified deferred compensation arrangements, Section 409A of the Code, or, if any award were considered to any extent to constitute deferred compensation, its terms would comply with the requirements of that legislation (in general, by limiting any flexibility in the time of payment). If an award includes deferred compensation, and its terms do not comply with the requirements of the legislation, then any deferred compensation component of an award under the Plan will be taxable when it is earned and vested (even if not then payable) and the recipient will be subject to a 20% additional tax.

Vote Required

Approval of the Annual Incentive Plan requires the affirmative vote of the 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. Harris has indicated that it intends to vote all of its Class B common shares in favor of approving the plan. Harris' vote of its Class B common shares will assure the approval of the material terms of the Plan for purposes of Section 162(m) of the Code.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE COMPANY'S BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE MATERIAL TERMS OF THE ANNUAL INCENTIVE PLAN

PROPOSAL NO. 4

APPROVAL OF THE MATERIAL TERMS OF THE 2007 STOCK EQUITY PLAN

We are requesting that the stockholders vote in favor of approving the material terms of the Company's 2007 Stock Equity Plan (the "2007 Plan") for purposes of Section 162(m) of the Code. A copy of the 2007 Plan is attached as Appendix B. The following description is only a summary of the 2007 Plan, and we encourage you to read it in its entirety in order to review the actual terms of the Plan. The 2007 Plan was originally approved by our Board of Directors on December 28, 2006, when the Company was a wholly-owned subsidiary of Harris with no operating assets. The Board of Directors at that time consisted of Mr. Howard L. Lance, Chief Executive Officer of Harris, and Mr. Guy M. Campbell, our former Chief Executive Officer, who was then the President of Harris' Microwave Communications Division (MCD). Our full board ratified the adoption of the 2007 Plan on January 28, 2007, when our acquisition of the MCD and Stratex Networks, Inc. became effective. Harris, as our sole shareholder at the time, approved the 2007 Plan on December 26, 2006. We believe that Harris' approval qualifies awards under the 2007 Plan as performance-based compensation under Section 162(m) of the Code, but under the applicable tax regulations, that qualification would not apply to awards made after the date of our annual stockholder meeting in 2011. By voting in favor of this approval, you will be voting to approve the 2007 Plan and the material terms of the 2007 Plan for purposes of qualifying awards made thereunder both before and after our 2011 stockholder meeting as performance-based compensation under Section 162(m) of the Code.

Purpose. The 2007 Plan is intended to retain and reward highly qualified employees, consultants, and directors and encourage their ownership of Class A common stock.

Administration. The 2007 Plan may be administered by the Compensation Committee of the Board, by another designated Compensation Committee, or by the Board directly. The designated administrator, or the Compensation Committee, has the discretion, subject to the provisions of the 2007 Plan, to determine the employee, consultant or director to receive an award, the form of award and any acceleration or extension of an award. Further, the Compensation Committee has complete authority to interpret the 2007 Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective award agreements (which need not be identical), and to make all other determinations necessary or advisable for the administration of the 2007 Plan.

Eligibility. Awards may be granted to any employee of or consultant to one or more of the Company and its affiliates or to non-employee members of the Board or of any board of directors (or similar governing authority) of any affiliate.

Shares Subject to the 2007 Plan. The shares issued or to be issued under the 2007 Plan are authorized but unissued shares of the Company's Class A common stock. The maximum number of shares of Class A common stock which may be issued or made subject to awards under the 2007 Plan is 5,000,000, and no more than 10% of the available 2007 Plan shares of Class A common stock may be covered by awards issued to any one person in any one calendar year.

Types of Awards. Awards under the 2007 Plan may include incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock, restricted stock units and performance units, qualified performance-based awards and stock grants. Each award will be evidenced by an instrument in such form as the Compensation Committee may prescribe, setting forth applicable terms such as the exercise price and term of any option or applicable forfeiture conditions or performance requirements for any restricted stock or restricted stock units. Except as noted below, all relevant terms of any award will be set by the Compensation Committee in its discretion.

- Nonstatutory stock options and incentive stock options, or stock options, are rights to purchase Class A common stock of the Company. A stock option may be immediately exercisable or become exercisable in such installments, cumulative or non-cumulative, as the Compensation Committee may determine. A stock option may be exercised by the recipient giving written notice to the Company, specifying the number of shares with respect to which the stock option is then being exercised, and accompanied by payment of an amount equal to the exercise price of the shares to be purchased. The purchase price may be paid by cash, check, by delivery to the Company (or attestation of ownership) of shares of Class A common stock (with some restrictions), or through and under the terms and conditions of any formal cashless exercise program authorized by the Company.

- Incentive stock options may be granted only to eligible employees of the Company or any parent or subsidiary corporation and must have an exercise price of not less than 100% of the fair market value of the Company's Class A common stock on the date of grant (110% for incentive stock options granted to any 10% stockholder of the Company). In addition, the term of an incentive stock option may not exceed seven years (five years, if granted to any 10% stockholder). Nonstatutory stock options must have an exercise price of not less than 100% of the fair market value of the Company's Class A common stock on the date of grant and the term of any nonstatutory stock option may not exceed seven years. In the case of an incentive stock option, the amount of the aggregate fair market value of Class A common stock (determined at the time of grant) with respect to which incentive stock options are exercisable for the first time by an employee during any calendar year (under all such plans of his or her employer corporation and its parent and subsidiary corporations) may not exceed $100,000.

- Stock appreciation rights, or SARs, are rights to receive (without payment to the Company) cash, property or other forms of payment, or any combination thereof, as determined by the Compensation Committee, based on the increase in the value of the number of shares of Class A common stock specified in the SAR. The base price (above which any appreciation is measured) will in no event be less than 100% of the fair market value of the Class A common stock on the date of grant of the SAR or, if the SAR is granted in tandem with a stock option (that is, so that the recipient has the opportunity to exercise either the stock option or the SAR, but not both), the exercise price under the associated stock option.

- Awards of restricted stock are grants or sales of Class A common stock which are subject to a risk of forfeiture, such as a requirement of the continued performance of services for a stated term or the achievement of individual or Company performance goals. Awards of restricted stock include the right to any dividends on the shares pending vesting (or forfeiture), although the Compensation Committee may determine, at the time of the award, that dividends will be deferred and, if dividends are deferred, the Compensation Committee may determine that the deferred dividends will be reinvested in additional restricted stock.

- Awards of restricted stock units and performance units are grants of rights to receive either shares of Class A common stock (in the case of restricted stock units) or the appreciation over a base value (as specified by the Compensation Committee) of a number of shares of Class A common stock (in the case of performance units) subject to satisfaction of service or performance requirements established by the Compensation Committee in connection with the award. Such awards may include the right to the equivalent to any dividends on the shares covered by the award, which amount may in the discretion of the Compensation Committee be deferred and paid if and when the award vests.

- A stock grant is a grant of shares of Class A common stock not subject to restrictions or other forfeiture conditions. stock grants may be awarded only in recognition of significant contributions to the success of the Company or its affiliates, in lieu of compensation otherwise already due, or in other limited circumstances which the Compensation Committee deems appropriate.

Qualified Performance-Based Awards. Qualified performance-based awards are awards that include performance criteria intended to satisfy Section 162(m) of the Code. Section 162(m) of the Code limits the Company's federal income tax deduction for compensation to certain specified senior executives to $1 million, but excludes from that limit "performance-based compensation." Qualified performance-based awards may be in the form of stock options, restricted stock, restricted stock units or performance units, but in each case will be subject to satisfaction of one of the following criteria, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or affiliate, either individually, alternatively, or in any combination, and measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Compensation Committee in the award:

cash flow (before or after dividends)	earnings per share (including, without limitation, earnings before interest, taxes, depreciation and amortization)
stock price	return on equity
stockholder return or total stockholder return	return on capital (including without limitation return on total capital or return on invested capital)
return on investment	return on assets or net assets
market capitalization	economic value added
debt leverage (debt to capital)	revenue
sales or net sales	backlog
income, pre-tax income or net income	operating income or pre-tax profit
operating profit, net operating profit or economic profit	gross margin, operating margin or profit margin
return on operating revenue or return on operating assets	cash from operations
operating ratio	operating revenue
market share improvement	general and administrative expenses
customer service	

Qualified performance-based awards in the form of stock options must have an exercise price which is not less than 100% of the fair market value of the Company's Class A common stock on the date of grant. No payment or other amount will be available to a recipient of a qualified performance-based award except upon the Compensation Committee's determination that a particular goal or goals established by the Compensation Committee for the criteria (from among those specified above) selected by the Compensation Committee have been satisfied. A stock grant is not a qualified performance-based award.

Effect of Termination of Employment or Association. Unless the Compensation Committee determines otherwise in connection with any particular award under the 2007 Plan, stock options and SARs will generally terminate three months following the recipient's termination of employment or other association with the Company. The effect of termination on other awards will depend on the terms of those awards.

Transferability. In general, no award under the 2007 Plan may be transferred by the recipient, and during the life of the recipient all rights under an award may be exercised only by the recipient or his or her legal representative. However, the Compensation Committee may approve the transfer, without consideration, of an award of a nonstatutory option or restricted stock to a family member.

Effect of Significant Corporate Event. In the event of any change in the outstanding shares of Class A common stock through merger, consolidation, sale of all or substantially all the property of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other distribution with respect to such shares of Class A common stock, an appropriate and proportionate adjustment will be made in (1) the maximum numbers and kinds of shares subject to the 2007 Plan and the 2007 Plan limits, (2) the numbers and kinds of shares or other securities subject to the then outstanding awards, (3) the exercise or hurdle price for each share or other unit of any other securities subject to then outstanding stock options or SARs (without change in the aggregate purchase or hurdle price as to which stock options or SARs remain exercisable), and (4) the repurchase price of each share of restricted stock then subject to a risk of forfeiture in the form of a Company repurchase right. Upon dissolution or liquidation of the Company, other than as part of an acquisition or similar transaction, each outstanding stock option or SAR shall terminate, but the participant shall have the right, immediately prior to the dissolution or liquidation, to exercise the stock option or SAR to the extent exercisable on the date of dissolution or liquidation.

Change of Control. Award agreements pursuant to the 2007 Plan may provide, as determined by the Compensation Committee, that, in the event of a change of control, stock options and stock appreciation rights will accelerate; the risk of forfeiture applicable to restricted stock and restricted stock units will lapse; and all conditions on restricted stock and restricted stock units shall be deemed to have been satisfied. A change of control is defined as the occurrence of any of: (a) a transaction after which less than 50% of the voting power of the resulting entity or ultimate parent entity is represented by previously issued and outstanding Company securities, or securities into which the Company securities were converted; (b) a merger, consolidation, share exchange or acquisition after which less than 50% of the voting power of the resulting entity or ultimate parent entity is represented by previously issued and outstanding Company securities or securities into which the Company securities were converted; (c) other than by means of a merger, consolidation, share exchange or acquisition, a person or group of persons obtains more than 30% of the total combined voting power of the Company (exempting Harris, until such time as it beneficially owns less than 30% of the total voting power of the Company, and also the employee benefit plans and trustees of employee benefits plans for the Company and its affiliates (other than Harris), and any underwriters temporarily holding securities prior to an offering of such securities); (d) the composition of the Board changes, over a period of 36 months or less, such that a majority of the individuals on the Board are no longer at least one of the following: (i) directors appointed before the adoption of the 2007 Plan or directors who have served throughout the period, (ii) appointees of Harris, or (iii) directors elected by a majority of directors that (x) belong to the same class of directors as such director, and (y) satisfied the criteria above at the time they voted for such director; or (e) a majority of the Board determines that a change in control has occurred. However, no change of control will be deemed to have occurred under the 2007 Plan if, immediately before any occurrence described above, Harris owns more than 30% of the total voting power of the Company and if, immediately after any such occurrence, Harris owns a majority of the total voting power of the Company.

Amendments to the 2007 Plan. Generally the Board may amend or modify the 2007 Plan at any time subject to the rights of holders of outstanding awards on the date of amendment or modification.

Summary of Tax Consequences. The following is a brief and general discussion of the United States federal income tax consequences to recipients of awards granted under the 2007 Plan. This summary is not comprehensive and is based upon laws and regulations in effect on September 1, 2008. Such laws and regulations are subject to change. This summary is intended for the information of shareholders considering how to vote and not as tax guidance to participants in the 2007 Plan. Participants in the 2007 Plan should consult their own tax advisors as to the tax consequences of participation.

- *Nonstatutory stock options.* Generally, there are no federal income tax consequences to the participants upon grant of nonstatutory stock options. Upon the exercise of such an option, the participant will

recognize ordinary income in an amount equal to the amount by which the fair market value of the Class A common stock acquired upon the exercise of such option exceeds the exercise price, if any. A sale of Class A common stock so acquired will give rise to a capital gain or loss equal to the difference between the fair market value of the Class A common stock on the exercise and sale dates.

- *Incentive stock options.* Except as noted at the end of this paragraph, there are no federal income tax consequences to the participant upon grant or exercise of an incentive stock option. If the participant holds shares of Class A common stock purchased pursuant to the exercise of an incentive stock option for at least two years after the date the option was granted and at least one year after the exercise of the option, the subsequent sale of Class A common stock will give rise to a long-term capital gain or loss to the participant and no deduction will be available to the Company. If the participant sells the shares of Class A common stock within two years after the date an incentive stock option is granted or within one year after the exercise of an option, the participant will recognize ordinary income in an amount equal to the difference between the fair market value at the exercise date and the option exercise price, and any additional gain or loss will be a capital gain or loss. Some participants may have to pay alternative minimum tax in connection with exercise of an incentive stock option, however.

- *Restricted stock.* A participant will generally recognize ordinary income on receipt of an award of restricted stock when his or her rights in that award become substantially vested, in an amount equal to the amount by which the then fair market value of the Class A common stock acquired exceeds the price he or she has paid for it, if any. Recipients of restricted stock may, however, within 30 days of receiving an award of restricted stock, choose to have any applicable risk of forfeiture disregarded for tax purposes by making an "83(b) election." If the participant makes an 83(b) election, he or she will have to report compensation income equal to the difference between the value of the shares and the price paid for the shares, if any, at the time of the transfer of the restricted stock.

- *Stock appreciation rights.* A participant will generally recognize ordinary income on receipt of cash or other property pursuant to the exercise of an award of stock appreciation rights.

- *Restricted stock units, performance units and stock grants.* A participant will generally recognize ordinary income on receipt of any shares of Class A common stock, cash or other property in satisfaction of any of these awards under the 2007 Plan.

- *Potential deferred compensation.* For purposes of the foregoing summary of federal income tax consequences, we assumed that no award under the 2007 Plan will be considered "deferred compensation" as that term is defined for purposes of recent federal tax legislation governing nonqualified deferred compensation arrangements, Section 409A of the Code, or, if any award were considered to any extent to constitute deferred compensation, its terms would comply with the requirements of that legislation (in general, by limiting any flexibility in the time of payment). For example, the award of an SAR at less than 100% of the market value of the Company's Class A common stock, would constitute deferred compensation. If an award includes deferred compensation, and its terms do not comply with the requirements of the legislation, then any deferred compensation component of an award under the 2007 Plan will be taxable when it is earned and vested (even if not then payable) and the recipient will be subject to a 20% additional tax.

- *Section 162(m) limitations on the Company's tax deduction.* In general, whenever a recipient is required to recognize ordinary income in connection with an award, the Company will be entitled to a corresponding tax deduction. However, the Company will not be entitled to deductions in connection with awards under the 2007 Plan to certain senior executive officers to the extent that the amount of deductible income in a year to any such officer, together with his or her other compensation from the Company exceeds the $1 million limitation of Section 162(m) of the Code. Compensation which qualifies as "performance-based" is not subject to this limitation, however.

Awards to Particular Officers, Etc. The benefits or amounts that will be received under the 2007 Plan by or allocated to each of (i) the officers listed in the Summary Compensation Table, (ii) each of the nominees for election as a director, (iii) all directors of the company who are not executive officers of the company as a

group, (iv) all present executive officers of the Company as a group, and (v) all employees of the Company, including all other current officers, as a group are not determinable.

Vote Required

Approval of the 2007 Stock Equity Plan requires the affirmative vote of the 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. Harris has indicated that it intends to vote all of its Class B common shares in favor of approving the material terms of the 2007 Plan. Harris' vote of its Class B common shares will assure the approval of the plan.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE COMPANY'S BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE MATERIAL TERMS OF THE 2007 STOCK EQUITY PLAN

OTHER MATTERS

2008 Annual Report

Our annual report for the fiscal year ended June 27, 2008 will be available over the internet and is mailed along with the other proxy materials to all stockholders who request printed copies in the manner specified in the Notice in this Proxy Statement.

Form 10-K

We filed an annual report on Form 10-K for the fiscal year ended June 27, 2008 with the SEC on September 25, 2008. 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 proxy holders will have authority to vote all proxies submitted to them at their discretion as to any matter of which we did not receive notice by September 29, 2008.

APPENDIX A

HARRIS STRATEX NETWORKS ANNUAL INCENTIVE PLAN

1. *Purpose of the Plan.* The purpose of the Harris Stratex Networks Annual Incentive Plan is to promote the growth and performance of the Company by: (i) linking a portion of the total annual compensation for certain key employees to attainment of such business objectives as shall be approved for each Performance Period; and (ii) assisting in the attraction, retention and motivation of certain key employees.

2. *Definitions.* Wherever the following capitalized terms are used in the Plan, they shall have the meanings specified below:

"Affiliate" means any corporation, partnership, limited liability company, business trust, or other entity controlling, controlled by or under common control with the Company.

"Award" means a right to receive a cash incentive payment pursuant to the terms and conditions of the Plan.

"Board" means the Board of Directors of the Company.

"Change of Control" means the occurrence of any of the following unless both (i) immediately prior to such occurrence Harris Corporation ("Harris") owns more than 30% of the total combined voting power of the Company's outstanding securities and (ii) immediately after such occurrence (and the exercise or lapse of any rights triggered by such occurrence) Harris owns a majority of such total combined voting power of the outstanding capital stock of the Company:

(a) any a merger or consolidation of the Company into another person (*i.e.*, which merger or consolidation the Company does not survive) or the sale, transfer, or other disposition of all or substantially all of the Company's assets to one or more other persons in a single transaction or series of related transactions (an "Acquisition") or a share exchange, unless immediately following such Acquisition or share exchange at least 50% 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 (i) the entity resulting from such Acquisition or share exchange, or the entity which has acquired all or substantially all of the assets of the Company (in the case of an asset sale that satisfies the Performance Criteria of an Acquisition) (in either case, the "Surviving Entity"), or (ii) 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% 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 (the "Parent Entity") is represented by Company securities that were outstanding immediately prior to such Acquisition or share exchange (or, if applicable, is represented by shares into which such Company securities were converted pursuant to such Acquisition or share exchange), or

(b) any person or group of persons (within the meaning of Section 13(d)(3) of the Exchange Act) directly or indirectly acquires beneficial ownership (determined pursuant to Securities and Exchange Commission Rule 13d-3 promulgated under the Exchange Act), other than through an Acquisition or share exchange, of securities possessing more than 30% of the total combined voting power of the Company's outstanding securities other than (i) Harris, provided that this exclusion of Harris shall no longer apply after such time, if any, as Harris beneficially owns less than 30% of such total voting power, (ii) an employee benefit plan of the Company or any of its Affiliates (other than Harris), (iii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates (other than Harris), or (iv) an underwriter temporarily holding securities pursuant to an offering of such securities, or

(c) 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 Performance Criteria: (i) have been a Board member continuously since the adoption of this Plan or the beginning of such 36 month period, (ii) have been appointed by Harris Corporation, or (iii) have been elected or nominated during such 36 month period by at least a majority of the Board members that (x) belong to the same class of director as such Board member and (y) satisfied the Performance Criteria of this subsection (c) when they were elected or nominated, or

(d) a majority of the Board determines that a Change of Control has occurred.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means the Compensation Committee of the Board, or such other committee of the Board to which such authority may be granted from time to time, which in general is responsible for the administration of the Plan, as provided in Section 3 of the Plan. For any period during which no such committee is in existence "Committee" shall mean the Board and all authority and responsibility assigned to the Committee under the Plan shall be exercised, if at all, by the Board.

"Company" means Harris Stratex Networks, a Delaware corporation.

"Covered Employee" means an employee who is a covered employee within the meaning of Section 162(m) of the Code.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Participant" means any holder of an Award under the Plan.

"Performance Criteria" means the Performance Criteria that the Committee selects for purposes of establishing the Performance Goal or Performance Goals for a Participant for a Performance Period. The Performance Criteria used to establish Performance Goals are limited to: (i) cash flow (before or after dividends), (ii) earnings per share (including, without limitation, earnings before interest, taxes, depreciation and amortization), (iii) stock price, (iv) return on equity, (v) stockholder return or total stockholder return, (vi) return on capital (including, without limitation, return on total capital or return on invested capital), (vii) return on investment, (viii) return on assets or net assets, (ix) market capitalization, (x) economic value added, (xi) debt leverage (debt to capital), (xii) revenue, (xiii) sales or net sales, (xiv) backlog, (xv) income, pre-tax income or net income, (xvi) operating income or pre-tax profit, (xvii) operating profit, net operating profit or economic profit, (xviii) gross margin, operating margin or profit margin, (xix) return on operating revenue or return on operating assets, (xx) cash from operations, (xxi) operating ratio, (xxii) operating revenue, (xxiii) market share improvement, (xxiv) general and administrative expenses or (xxv) customer service.

"Performance Goals" means, for a Performance Period, the written goal or goals established by the Committee for the Performance Period based upon the Performance Criteria. The Performance Goals may be expressed in terms of overall Company performance or the performance of a division, business unit, subsidiary, or an individual, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or Affiliate, either individually, alternatively or in any combination, and measured either quarterly, annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Committee. The Committee will, in the manner and within the time prescribed by Section 162(m) of the Code in the case of Qualified Performance-Based Awards, objectively define the manner of calculating the Performance Goal or Goals it selects to use for such Performance Period for such Participant. To the extent consistent with Section 162(m) of the Code, the Committee may appropriately adjust any evaluation of performance against a Performance Goal to exclude any of the following events that occurs during a performance period: (i) asset write-downs, (ii) litigation, claims, judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs and (v) any extraordinary, unusual, non-recurring or non-comparable items (A) as described

in Accounting Principles Board Opinion No. 30, (B) as described in management's discussion and analysis of financial condition and results of operations appearing in the Company's Annual Report to stockholders for the applicable year, or (C) publicly announced by the Company in a press release or conference call relating to the Company's results of operations or financial condition for a completed quarterly or annual fiscal period.

"Performance Period" means the one or more periods of time, which may be of varying and overlapping durations, selected by the Committee, over which the attainment of one or more Performance Goals will be measured for purposes of determining a Participant's right to payment in connection with an Award.

"Plan" means this Harris Stratex Networks Annual Incentive Plan, as amended from time to time.

"Qualified Performance-Based Award" means any Award or portion of an Award intended to qualify as "performance-based compensation" under Section 162(m) of the Code.

3. *Administration of Plan.* The Plan shall be administered by the Committee; *provided, however*, that at any time and on any one or more occasions the Board may itself exercise any of the powers and responsibilities assigned the Committee under the Plan and when so acting shall have the benefit of all of the provisions of the Plan pertaining to the Committee's exercise of its authorities hereunder and *provided further, however,* that the Committee may delegate to an executive officer or officers the authority to grant Awards hereunder to employees in accordance with such guidelines as the Committee shall set forth at any time or from time to time. Subject to the provisions of the Plan, the Committee shall have complete authority, in its discretion, to make or to select the manner of making all determinations with respect to each Award to be granted by the Company under the Plan including the employee to receive the Award. In making such determinations, the Committee may take into account the nature of the services rendered by the respective employees, their present and potential contributions to the success of the Company and its Affiliates, and such other factors as the Committee in its discretion shall deem relevant. Subject to the provisions of the Plan, the Committee shall also have complete authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective Award agreements (which need not be identical), and to make all other determinations necessary or advisable for the administration of the Plan. The Committee's determinations made in good faith on matters referred to in the Plan shall be final, binding and conclusive on all persons having or claiming any interest under the Plan or an Award made pursuant hereto.

4. *Awards.*

(a) *In General.* All employees of the Company and its Affiliates are eligible to be designated by the Committee to receive Awards and become Participants under the Plan. Each Participant in the Plan shall be eligible to receive such Award, if any, as the Committee may determine in its sole discretion.

(b) *Performance Goals.* Participants shall receive payments pursuant to their Awards, if any, as determined on the basis of the degree of achievement of the Performance Goals.

5. *Qualified Performance-Based Awards.*

(a) *Purpose.* The purpose of this Section 5 is to provide the Committee the ability to qualify Awards as "performance-based compensation" under Section 162(m) of the Code. If the Committee, in its discretion, decides to grant an Award as a Qualified Performance-Based Award, the provisions of this Section 5 will control over any contrary provision contained in the Plan. In the course of granting any Award, the Committee may specifically designate the Award as intended to qualify as a Qualified Performance-Based Award. However, no Award shall be considered to have failed to qualify as a Qualified Performance-Based Award solely because the Award is not expressly designated as a Qualified Performance-Based Award, if the Award otherwise satisfies the provisions of this Section 5 and the requirements of Section 162(m) of the Code and the regulations promulgated thereunder applicable to "performance-based compensation."

(b) *Authority.* All grants of Awards intended to qualify as Qualified Performance-Based Awards and determination of terms applicable thereto shall be made by the Committee or, if not all of the members thereof

qualify as "outside directors" within the meaning of applicable IRS regulations under Section 162 of the Code, a subcommittee of the Committee consisting of such of the members of the Committee as do so qualify. Any action by such a subcommittee shall be considered the action of the Committee for purposes of the Plan.

(c) *Applicability.* This Section 5 will apply only to those Covered Employees, or to those persons who the Committee determines are reasonably likely to become Covered Employees in the period covered by an Award, selected by the Committee to receive Qualified Performance-Based Awards. The Committee may, in its discretion, grant Awards to Covered Employees that do not satisfy the requirements of this Section 5.

(d) *Discretion of Committee with Respect to Qualified Performance-Based Awards*. With regard to Awards intended to qualify as Qualified Performance-Based Awards, the Committee will have full discretion to select the length of any applicable Performance Period, the kind and/or level of the applicable Performance Goal, and whether the Performance Goal is to apply to the Company, a Subsidiary or any division or business unit or to the individual. Any Performance Goal or Goals applicable to Qualified Performance-Based Awards shall be objective, shall be established not later than three (3) months after the beginning of any applicable Performance Period (or at such other date as may be required or permitted for "performance-based compensation" under Section 162(m) of the Code) and shall otherwise meet the requirements of Section 162(m) of the Code, including the requirement that the outcome of the Performance Goal or Goals be substantially uncertain (as defined in the regulations under Section 162(m) of the Code) at the time established.

(e) *Payment of Qualified Performance-Based Awards.* A Participant will be eligible to receive payment under a Qualified Performance-Based Award which is subject to achievement of a Performance Goal or Goals only if the applicable Performance Goal or Goals are achieved within the applicable Performance Period, as determined by the Committee. In determining the actual size of an individual Qualified Performance-Based Award, the Committee may reduce or eliminate the amount of the Qualified Performance-Based Award earned for the Performance Period, if in its sole and absolute discretion, such reduction or elimination is appropriate.

(f) *Maximum Award Payable.* The maximum Qualified Performance-Based Award payment to any one Participant under the Plan for a Performance Period is $2,500,000; *provided, however,* that if such Participant is not a Participant for the entire Performance Period, the maximum amount payable shall be pro-rated based on the number of days the individual was a Participant for the Performance Period.

(g) *Limitation on Adjustments for Certain Events.* No adjustment of any Qualified Performance-Based Award pursuant to Section 12 shall be made except on such basis, if any, as will not cause such Award to provide other than "performance- based compensation" within the meaning of Section 162(m) of the Code.

6. *Payment of Annual Incentive Award on Termination of Employment.*

(a) *Payments.* Payment pursuant to any Award shall be made in cash at such time(s) as the Committee may in its discretion determine. Notwithstanding the foregoing, in no event will the payment of such amounts be made after the later of: (a) the 15th day of the third month following the end of the Participant's first taxable year in which the amount is no longer subject to a substantial risk of forfeiture or (b) the 15th day of the third month following the end of the Corporation's first taxable year in which the amount is no longer subject to a substantial risk of forfeiture.

(b) *Termination of Employment.* Except to the extent otherwise provided by the Committee, if a Participant's employment with the Company, any Subsidiary or any Affiliate, is terminated for any reason prior to the last day of a Performance Period, then, except in the case of death, disability or normal retirement, or an involuntary termination due to a reduction in force or except as provided in Section 12, the Participant shall forfeit the Award and shall not be entitled to a payment of the Award. If a Participant's employment is terminated during the Performance Period due to death, disability, normal retirement or involuntary termination caused by a reduction in force, the Participant shall be entitled to a pro-rated payment of the Award that would have been payable if the Participant had been a Participant on the last day of the Performance Period, based upon the Committee's determination as to whether the applicable Performance Goal or Goals are achieved within such Performance Period. If a Participant is entitled to a payment of the Award pursuant to the preceding sentence, such amount shall be prorated based on the number of days the individual was a Participant in the Plan for such Performance Period and shall be paid at the same time and in the same manner

as such payment would have been made if the Participant had been a Participant on the last day of the Performance Period. A leave of absence, approved by the Committee, shall not be deemed to be a termination of employment for purposes of this Plan.

7. *Unfunded Plan.* The Plan is intended to constitute an "unfunded" plan for incentive compensation, and the Plan is not intended to constitute a plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended. With respect to any payments not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver payments hereunder, *provided, however*, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

8. *Non-Alienation of Benefits; Beneficiary Designation.* All rights and benefits under the Plan are personal to the Participant and neither the Plan nor any right or interest of a Participant or any other person arising under the Plan is subject to voluntary or involuntary alienation, sale, transfer, or assignment without the Company's consent. Subject to the foregoing, the Company shall establish such procedures as it deems necessary for a Participant to designate one or more beneficiaries to whom any payment the Committee determines to make would be payable in the event of the Participant's death. In the event no beneficiary has been properly designated, the payment shall be made to the Participant's surviving spouse or, if none, the Participant's estate.

9. *Withholding for Taxes.* Notwithstanding any other provisions of this Plan, the Company shall have the authority to withhold from any payment made by it under the Plan such amount or amounts as may be required for purposes of complying with any Federal, state and local tax or withholding requirements.

10. *No Right to Continued Employment or to Participate.* Nothing contained in the Plan or in any Award shall confer upon any recipient of an Award any right with respect to the continuation of his or her employment with the Company (or any Affiliate), or interfere in any way with the right of the Company, subject to the terms of any separate employment or consulting agreement or provision of law or corporate articles or by-laws to the contrary, at any time to terminate such employment or consulting agreement or to increase or decrease, or otherwise adjust, the other terms and conditions of the recipient's employment with the Company and its Affiliates.

11. *Non-Exclusivity of Plan.* Neither the adoption of the Plan by the Board nor the submission of the Plan to the stockholders of the Company shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including without limitation, the granting of stock options and restricted stock other than under the Plan, and such arrangements may be either applicable generally or only in specific cases

12. *Change of Control.* Notwithstanding anything to the contrary provided elsewhere herein, in the event of a "Change of Control" of the Company then the Company shall as promptly as practicable following the effective date of the Change of Control pay any incentive Awards payable to Participants. The payment to each Participant shall be an amount not less than the target Award as originally approved for the Performance Period, notwithstanding actual results or any changes or modifications occurring after any such Change of Control.

13. *Adjustment of Awards.* Notwithstanding anything herein to the contrary, the Committee may not make any such adjustment to any Qualified Performance-Based Award if such adjustment would cause compensation pursuant to such award to cease to be performance-based compensation under Section 162(m) of the Code. In the event the Company shall assume outstanding employee benefit awards or the right or obligation to make future such awards in connection with the acquisition of another corporation or business entity, the Committee may, in its discretion, make such adjustments in the terms of Awards under the Plan as it shall deem appropriate.

14. *Impact of Restatement of Financial Statements upon Previous Awards.* If any of the Company's financial statements are restated as a result of errors, omissions, or fraud, the Committee may (in its sole

discretion, but acting in good faith) direct that the Company recover all or a portion of any such Award or payment made to any, all or any class of Participants with respect to any Performance Period the financial results of which are negatively affected by such restatement. The amount to be recovered from any Participant shall be the amount by which the affected Award or payment exceeded the amount that would have been payable to such Participant had the financial statements been initially filed as restated, or any greater or lesser amount (including, but not limited to, the entire Award) that the Committee shall determine. The Committee may determine to recover different amounts from different Participants or different classes of Participants on such basis as it shall deem appropriate. In no event shall the amount to be recovered by the Company from a Participant be less than the amount required to be repaid or recovered as a matter of law. The Committee shall determine whether the Company shall effect any such recovery (i) by seeking repayment from the Participant, (ii) by reducing (subject to applicable law and the terms and conditions of the applicable plan, program or arrangement) the amount that would otherwise be payable to the Participant under any compensatory plan, program or arrangement maintained by the Company, a Subsidiary or any of its Affiliates, (iii) by withholding payment of future increases in compensation (including the payment of any discretionary bonus amount) or grants of compensatory awards that would otherwise have been made in accordance with the Company's otherwise applicable compensation practices, or (iv) by any combination of the foregoing or otherwise.

15. *Amendment or Termination.* The Board may at any time terminate the Plan or make such modifications of the Plan as it shall deem advisable. Unless the Board otherwise expressly provides, no amendment of the Plan shall affect the terms of any Award outstanding on the date of such amendment. The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, provided that the Award as amended is consistent with the terms of the Plan.

16. *Application of Code Section 409A.* This Plan is intended to be administered and interpreted in a manner such that it is exempt from the requirements of Section 409A of the Code pursuant to the "short term deferral rule." Notwithstanding the foregoing, no particular tax result with respect to any income recognized by a Participant in connection with the Plan is guaranteed and each Participant shall be responsible for any taxes imposed on him in connection with the Plan.

17. *Governing Law and Interpretation.* The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Delaware, without regard to the conflict of law principles thereof. Unless otherwise indicated, all "Section" references are to sections of the Plan. References to any law, rule or regulation shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing, or interpreting such law, rule or regulation.

18. *Severability.* If any one or more of the provisions contained in this Plan shall be invalid, illegal or unenforceable in any respect under any applicable law, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

19. *Effective Date.* This Plan shall become effective immediately upon stockholder approval and shall remain effective until five (5) years from the date of said stockholder approval, subject to any further shareholder approvals (or reapprovals) mandated for performance-based compensation under Section 162(m) of the Code, and subject to the right of the Board to terminate the Plan, on a prospective basis only, at any time.

APPENDIX B

HARRIS STRATEX NETWORKS, INC.

2007 STOCK EQUITY PLAN

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HARRIS STRATEX NETWORKS, INC.

2007 Stock Equity Plan

1. Purpose

This Plan is intended to encourage ownership of Stock by employees, consultants and directors of the Company and its Affiliates and to provide additional incentive for them to promote the success of the Company's business through the grant of Awards of or pertaining to shares of the Company's Stock. The Plan is intended to be an incentive stock option plan within the meaning of Section 422 of the Code, but not all Awards are required to be Incentive Options.

2. Definitions

As used in this Plan, the following terms shall have the following meanings:

2.1. *Accelerate, Accelerated, and Acceleration, means:* (a) when used with respect to an Option or Stock Appreciation Right, that as of the time of reference the Option or Stock Appreciation Right will become exercisable with respect to some or all of the shares of Stock for which it was not then otherwise exercisable by its terms; (b) when used with respect to Restricted Stock or Restricted Stock Units, that the Risk of Forfeiture otherwise applicable to the Stock or Units shall expire with respect to some or all of the shares of Restricted Stock or Units then still otherwise subject to the Risk of Forfeiture; and (c) when used with respect to Performance Units, that the applicable Performance Goals shall be deemed to have been met as to some or all of the Units.

2.2. *Acquisition* means a merger or consolidation of the Company into another person (*i.e.*, which merger or consolidation the Company does not survive) or the sale, transfer, or other disposition of all or substantially all of the Company's assets to one or more other persons in a single transaction or series of related transactions.

2.3. *Affiliate* means any corporation, partnership, limited liability company, business trust, or other entity controlling, controlled by or under common control with the Company.

2.4. *Award* means any grant or sale pursuant to the Plan of Options, Stock Appreciation Rights, Performance Units, Restricted Stock, Restricted Stock Units, or Stock Grants.

2.5. *Award Agreement* means an agreement between the Company and the recipient of an Award, setting forth the terms and conditions of the Award.

2.6. *Board* means the Company's Board of Directors.

2.7. *Change of Control* means the occurrence of any of the following unless both (i) immediately prior to such occurrence Harris Corporation ("Harris") owns more than 30% of the total combined voting power of the Company's outstanding securities and (ii) immediately after such occurrence (and the exercise or lapse of any rights triggered by such occurrence) Harris owns a majority of such total combined voting power of the outstanding capital stock of the Company:

(a) any merger, consolidation, share exchange or Acquisition, unless immediately following such merger, consolidation, share exchange or Acquisition at least 50% 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 (i) the entity resulting from such merger, consolidation or share exchange, or the entity which has acquired all or substantially all of the assets of the Company (in the case of an asset sale that satisfies the criteria of an Acquisition) (in either case, the "Surviving Entity"), or (ii) 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% 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 (the "Parent Entity") is represented by Company 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

(b) 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 Securities and Exchange Commission Rule 13d-3 promulgated under the said Exchange Act), other than through a merger, consolidation, share exchange or Acquisition, of securities possessing more than 30% of the total combined voting power of the Company's outstanding securities other than (i) Harris, provided that this exclusion of Harris shall no longer apply after such time, if any, as Harris beneficially owns less than 30% of such total voting power, (ii) an employee benefit plan of the Company or any of its Affiliates (other than Harris), (iii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates (other than Harris), or (iv) an underwriter temporarily holding securities pursuant to an offering of such securities, or

(c) over a period of 36 consecutive months or less, there is a change in the composition of the Board such that a majority of the Board members (rounded up to the next whole number, if a fraction) ceases, by reason of one or more proxy contests for the election of Board members, to be composed of individuals each of whom meet one of the following criteria: (i) have been a Board member continuously since the adoption of this Plan or the beginning of such 36 month period, (ii) have been appointed by Harris Corporation, or (iii) have been elected or nominated during such 36 month period by at least a majority of the Board members that (x) belong to the same class of director as such Board member and (y) satisfied the criteria of this subsection (c) when they were elected or nominated, or

(d) a majority of the Board determines that a Change of Control has occurred.

2.8. *Code* means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto, and any regulations issued from time to time thereunder.

2.9. *Committee* means the Compensation Committee of the Board, or such other committee of the Board to which such authority may be granted from time to time, which in general is responsible for the administration of the Plan, as provided in Section 5 of the Plan. For any period during which no such committee is in existence "Committee" shall mean the Board and all authority and responsibility assigned to the Committee under the Plan shall be exercised, if at all, by the Board.

2.10. *Company* means Harris Stratex Networks, Inc., a corporation organized under the laws of the Delaware.

2.11. *Covered Employee* means an employee who is a "covered employee" within the meaning of Section 162(m) of the Code.

2.12. *Grant Date* means the date as of which an Award is granted, as determined under Section 7.1(a).

2.13. *Incentive Option* means an Option which by its terms is to be treated as an "incentive stock option" within the meaning of Section 422 of the Code.

2.14. *Market Value* means the value of a share of Stock on a particular date determined by such methods or procedures as may be established by the Committee. Unless otherwise determined by the Committee, the Market Value of Stock as of any date is the closing price for the Stock as reported on the NASDAQ Global Market (or on any other national securities exchange on which the Stock is then listed) for that date or, if no closing price is reported for that date, the closing price on the next preceding date for which a closing price was reported.

2.15. *Nonstatutory Option* means any Option that is not an Incentive Option.

2.16. *Option* means an option to purchase shares of Stock.

2.17. *Optionee* means a Participant to whom an Option shall have been granted under the Plan.

2.18. *Participant* means any holder of an outstanding Award under the Plan.

2.19. *Performance Criteria* means the criteria that the Committee selects for purposes of establishing the Performance Goal or Performance Goals for a Participant for a Performance Period. The Performance Criteria used to establish Performance Goals are limited to: (i) cash flow (before or after dividends), (ii) earnings per share (including, without limitation, earnings before interest, taxes, depreciation and amortization), (iii) stock price, (iv) return on equity, (v) stockholder return or total stockholder return, (vi) return on capital (including, without limitation, return on total capital or return on invested capital), (vii) return on investment, (viii) return on assets or net assets, (ix) market capitalization, (x) economic value added, (xi) debt leverage (debt to capital), (xii) revenue, (xiii) sales or net sales, (xiv) backlog, (xv) income, pre-tax income or net income, (xvi) operating income or pre-tax profit, (xvii) operating profit, net operating profit or economic profit, (xviii) gross margin, operating margin or profit margin, (xix) return on operating revenue or return on operating assets, (xx) cash from operations, (xxi) operating ratio, (xxii) operating revenue, (xxiii) market share improvement, (xxiv) general and administrative expenses or (xxv) customer service.

2.20. *Performance Goals* means, for a Performance Period, the written goal or goals established by the Committee for the Performance Period based upon the Performance Criteria. The Performance Goals may be expressed in terms of overall Company performance or the performance of a division, business unit, subsidiary, or an individual, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or Affiliate, either individually, alternatively or in any combination, and measured either quarterly, annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Committee. The Committee will, in the manner and within the time prescribed by Section 162(m) of the Code in the case of Qualified Performance-Based Awards, objectively define the manner of calculating the Performance Goal or Goals it selects to use for such Performance Period for such Participant. To the extent consistent with Section 162(m) of the Code, the Committee may appropriately adjust any evaluation of performance against a Performance Goal to exclude any of the following events that occurs during a performance period: (i) asset write-downs, (ii) litigation, claims, judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs and (v) any extraordinary, unusual, non-recurring or non-comparable items (A) as described in Accounting Principles Board Opinion No. 30, (B) as described in management's discussion and analysis of financial condition and results of operations appearing in the Company's Annual Report to stockholders for the applicable year, or (C) publicly announced by the Company in a press release or conference call relating to the Company's results of operations or financial condition for a completed quarterly or annual fiscal period.

2.21. *Performance Period* means the one or more periods of time, which may be of varying and overlapping durations, selected by the Committee, over which the attainment of one or more Performance Goals will be measured for purposes of determining a Participant's right to, and the payment of, a Performance Unit.

2.22. *Performance Unit* means a right granted to a Participant under Section 7.5, to receive cash, Stock or other Awards, the payment of which is contingent on achieving Performance Goals established by the Committee.

2.23. *Plan* means this 2007 Stock Equity Plan of the Company, as amended from time to time, and including any attachments or addenda hereto.

2.24. *Qualified Performance-Based Awards* means Awards intended to qualify as "performance-based compensation" under Section 162(m) of the Code.

2.25. *Restricted Stock* means a grant or sale of shares of Stock to a Participant subject to a Risk of Forfeiture.

2.26. *Restricted Stock Units* means rights to receive shares of Stock at the close of a Restriction Period, subject to a Risk of Forfeiture.

2.27. *Restriction Period* means the period of time, established by the Committee in connection with an Award of Restricted Stock or Restricted Stock Units, during which the shares of Restricted Stock are subject to a Risk of Forfeiture described in the applicable Award Agreement.

2.28. *Risk of Forfeiture* means a limitation on the right of the Participant to retain Restricted Stock or Restricted Stock Units, including a right in the Company to reacquire shares of Restricted Stock at less than their then Market Value, arising because of the occurrence or non-occurrence of specified events or conditions.

2.29. *Stock* means Class A common stock, par value $0.01 per share, of the Company, and such other securities as may be substituted for Stock pursuant to Section 8.

2.30. *Stock Appreciation Right* means a right to receive any excess in the Market Value of shares of Stock (except as otherwise provided in Section 7.2(c)) over a specified exercise price.

2.31. *Stock Grant* means the grant of shares of Stock not subject to restrictions or other forfeiture conditions.

2.32. *Ten Percent Owner* means a person who owns, or is deemed within the meaning of Section 422(b)(6) of the Code to own, stock possessing more than 10% of the total combined voting power of all classes of stock of the Company (or any parent or subsidiary corporations of the Company, as defined in Sections 424(e) and (f), respectively, of the Code). Whether a person is a Ten Percent Owner shall be determined with respect to an Option based on the facts existing immediately prior to the Grant Date of the Option.

3. Term of the Plan

Unless the Plan shall have been earlier terminated by the Board, Awards may be granted under this Plan at any time in the period commencing on the date of approval of the Plan by the Board and ending immediately prior to the seventh anniversary of the earlier of the adoption of the Plan by the Board or approval of the Plan by the Company's stockholders. Awards granted pursuant to the Plan within that period shall not expire solely by reason of the termination of the Plan. Awards of Incentive Options granted prior to stockholder approval of the Plan are expressly conditioned upon such approval, but in the event of the failure of the stockholders to approve the Plan shall thereafter and for all purposes be deemed to constitute Nonstatutory Options.

4. Stock Subject to the Plan

At no time shall the number of shares of Stock issued pursuant to or subject to outstanding Awards granted under the Plan (including pursuant to Incentive Options), nor the number of shares of Stock issued pursuant to Incentive Options, exceed 5,000,000 shares of Stock, *subject, however*, to the provisions of Section 8 of the Plan. For purposes of applying the foregoing limitation, (a) if any Option or Stock Appreciation Right expires, terminates, or is cancelled for any reason without having been exercised in full, or if any other Award is forfeited by the recipient or repurchased at less than its Market Value, the shares not purchased by the Optionee or which are forfeited by the recipient or repurchased shall again be available for Awards to be granted under the Plan and (b) if any Option is exercised by delivering previously owned shares in payment of the exercise price therefor, only the net number of shares, that is, the number of shares issued minus the number received by the Company in payment of the exercise price, shall be considered to have been issued pursuant to an Award granted under the Plan. In addition, settlement of any Award shall not count against the foregoing limitations except to the extent settled in the form of Stock. Shares of Stock issued pursuant to the Plan may be either authorized but unissued shares or shares held by the Company in its treasury.

5. Administration

The Plan shall be administered by the Committee; *provided, however*, that at any time and on any one or more occasions the Board may itself exercise any of the powers and responsibilities assigned the Committee under the Plan and when so acting shall have the benefit of all of the provisions of the Plan pertaining to the Committee's exercise of its authorities hereunder and provided further, however, that the Committee may delegate to an executive officer or officers the authority to grant Awards hereunder to employees who are not officers, and to consultants, in accordance with such guidelines as the Committee shall set forth at any time or from time to time. Subject to the provisions of the Plan, the Committee shall have complete authority, in its discretion, to make or to select the manner of making all determinations with respect to each Award to be granted by the Company under the Plan including the employee, consultant or director to receive the Award and the form of Award. In making such determinations, the Committee may take into account the nature of the services rendered by the respective employees, consultants, and directors, their present and potential contributions to the success of the Company and its Affiliates, and such other factors as the Committee in its discretion shall deem relevant. Subject to the provisions of the Plan, the Committee shall also have complete authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective Award Agreements (which need not be identical), and to make all other determinations necessary or advisable for the administration of the Plan. The Committee's determinations made in good faith on matters referred to in the Plan shall be final, binding and conclusive on all persons having or claiming any interest under the Plan or an Award made pursuant hereto.

6. Authorization of Grants

6.1. *Eligibility.* The Committee may grant from time to time and at any time prior to the termination of the Plan one or more Awards, either alone or in combination with any other Awards, to any employee of or consultant to one or more of the Company and its Affiliates or to non-employee member of the Board or of any board of directors (or similar governing authority) of any Affiliate. However, only employees of the Company, and of any parent or subsidiary corporations of the Company, as defined in Sections 424(e) and (f), respectively, of the Code, shall be eligible for the grant of an Incentive Option. Further, in no event shall the number of shares of Stock covered by Options or other Awards granted to any one person in any one calendar year exceed 10% of the aggregate number of shares of Stock subject to the Plan.

6.2. *General Terms of Awards.* Each grant of an Award shall be subject to all applicable terms and conditions of the Plan (including but not limited to any specific terms and conditions applicable to that type of Award set out in the following Section), and such other terms and conditions, not inconsistent with the terms of the Plan, as the Committee may prescribe. No prospective Participant shall have any rights with respect to an Award, unless and until such Participant shall have complied with the applicable terms and conditions of such Award (including if applicable delivering a fully executed copy of any agreement evidencing an Award to the Company).

6.3. *Effect of Termination of Employment, Etc.* Unless the Committee shall provide otherwise with respect to any Award, if the Participant's employment or other association with the Company and its Affiliates ends for any reason, including because of the Participant's employer ceasing to be an Affiliate, (a) any outstanding Option or SAR of the Participant shall cease to be exercisable in any respect not later than 3 months following that event and, for the period it remains exercisable following that event, shall be exercisable only to the extent exercisable at the date of that event, and (b) any other outstanding Award of the Participant shall be forfeited or otherwise subject to return to or repurchase by the Company on the terms specified in the applicable Award Agreement. Military or sick leave or other bona fide leave shall not be deemed a termination of employment or other association, *provided* that it does not exceed the longer of three (3) months or the period during which the absent Participant's reemployment rights, if any, are guaranteed by statute or by contract.

6.4. *Non-Transferability of Awards.* Except as otherwise provided in this Section 6.4, Awards shall not be transferable, and no Award or interest therein may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. All of a Participant's

rights in any Award may be exercised during the life of the Participant only by the Participant or the Participant's legal representative. However, the Committee may, at or after the grant of an Award of a Nonstatutory Option, or shares of Restricted Stock, provide that such Award may be transferred by the recipient to a family member; *provided, however*, that any such transfer is without payment of any consideration whatsoever and that no transfer shall be valid unless first approved by the Committee, acting in its sole discretion. For this purpose, "family member" means any child, stepchild, grandchild, parent, stepparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the employee's household (other than a tenant or employee), a trust in which the foregoing persons have more than fifty (50) percent of the beneficial interests, a foundation in which the foregoing persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than fifty (50) percent of the voting interests.

7. Specific Terms of Awards

7.1. *Options.*

(a) *Date of Grant.* The granting of an Option shall take place at the time specified in the Award Agreement. Only if expressly so provided in the applicable Award Agreement shall the Grant Date be the date on which the Award Agreement shall have been duly executed and delivered by the Company and the Optionee.

(b) *Exercise Price.* The price at which shares of Stock may be acquired under each Incentive Option shall be not less than 100% of the Market Value of Stock on the Grant Date, or not less than 110% of the Market Value of Stock on the Grant Date if the Optionee is a Ten Percent Owner. The price at which shares may be acquired under each Nonstatutory Option shall be not less than 100% of the Market Value of Stock on the Grant Date.

(c) *Option Period.* No Incentive Option may be exercised on or after the seventh anniversary of the Grant Date, or on or after the fifth anniversary of the Grant Date if the Optionee is a Ten Percent Owner. No Nonstatutory Option may be exercised on or after the seventh anniversary of the Grant Date.

(d) *Exercisability.* An Option may be immediately exercisable or become exercisable in such installments, cumulative or non-cumulative, as the Committee may determine. In the case of an Option not otherwise immediately exercisable in full, the Committee may Accelerate such Option in whole or in part at any time; *provided, however,* that in the case of an Incentive Option, any such Acceleration of the Option would not cause the Option to fail to comply with the provisions of Section 422 of the Code or the Optionee consents to the Acceleration.

(e) *Method of Exercise.* An Option may be exercised by the Optionee giving written notice, in the manner provided in Section 16, specifying the number of shares with respect to which the Option is then being exercised. The notice shall be accompanied by payment in the form of cash or check payable to the order of the Company in an amount equal to the exercise price of the shares to be purchased or, subject in each instance to the Committee's approval, acting in its sole discretion, and to such conditions, if any, as the Committee may deem necessary to avoid adverse accounting effects to the Company, by delivery to the Company shares of Stock having a Market Value equal to the exercise price of the shares to be purchased.

If the Stock is traded on an established market, payment of any exercise price may also be made through and under the terms and conditions of any formal cashless exercise program authorized by the Company entailing the sale of the Stock subject to an Option in a brokered transaction (other than to the Company). Receipt by the Company of such notice and payment in any authorized or combination of authorized means shall constitute the exercise of the Option. Within thirty (30) days thereafter but subject to the remaining provisions of the Plan, the Company shall deliver or cause to be delivered to the Optionee or his agent the number of shares then being purchased. Such shares shall be fully paid and nonassessable.

(f) *Limit on Incentive Option Characterization.* An Incentive Option shall be considered to be an Incentive Option only to the extent that the number of shares of Stock for which the Option first becomes

exercisable in a calendar year do not have an aggregate Market Value (as of the date of the grant of the Option) in excess of the "current limit". The current limit for any Optionee for any calendar year shall be $100,000 *minus* the aggregate Market Value at the date of grant of the number of shares of Stock available for purchase for the first time in the same year under each other Incentive Option previously granted to the Optionee under the Plan, and under each other incentive stock option previously granted to the Optionee under any other incentive stock option plan of the Company and its Affiliates, after December 31, 1986. Any shares of Stock which would cause the foregoing limit to be violated shall be deemed to have been granted under a separate Nonstatutory Option, otherwise identical in its terms to those of the Incentive Option.

(g) *Notification of Disposition.* Each person exercising any Incentive Option granted under the Plan shall be deemed to have covenanted with the Company to report to the Company any disposition of such shares prior to the expiration of the holding periods specified by Section 422(a)(1) of the Code and, if and to the extent that the realization of income in such a disposition imposes upon the Company federal, state, local or other withholding tax requirements, or any such withholding is required to secure for the Company an otherwise available tax deduction, to remit to the Company an amount in cash sufficient to satisfy those requirements.

7.2. *Stock Appreciation Rights.*

(a) *Tandem or Stand-Alone.* Stock Appreciation Rights may be granted in tandem with an Option (at or, in the case of a Nonstatutory Option, after, the award of the Option), or alone and unrelated to an Option. Stock Appreciation Rights in tandem with an Option shall terminate to the extent that the related Option is exercised, and the related Option shall terminate to the extent that the tandem Stock Appreciation Rights are exercised.

(b) *Exercise Price.* Stock Appreciation Rights shall have an exercise price of not less than one hundred percent (100%) of the Market Value of the Stock on the date of award, or in the case of Stock Appreciation Rights in tandem with Options, the exercise price of the related Option.

(c) *Other Terms.* Except as the Committee may deem inappropriate or inapplicable in the circumstances, Stock Appreciation Rights shall be subject to terms and conditions substantially similar to those applicable to a Nonstatutory Option.

7.3. *Restricted Stock.*

(a) *Purchase Price.* Shares of Restricted Stock shall be issued under the Plan for such consideration, in cash, other property or services, or any combination thereof, as is determined by the Committee.

(b) *Issuance of Shares.* Shares of Restricted Stock awarded pursuant to a Restricted Stock Award shall be issued as certificates or recorded in book-entry form, subject to subsection (c) below. Such shares shall be registered in the name of the Participant. Any certificates so issued shall be printed with an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award as determined or authorized in the sole discretion of the Committee. Shares recorded in book-entry form shall be recorded with a notation referring to the terms, conditions, and restrictions applicable to such Award as determined or authorized in the sole discretion of the Committee.

(c) *Escrow of Shares.* The Committee may require that the stock certificates or book-entry registrations evidencing shares of Restricted Stock be held in custody by a designated escrow agent (which may but need not be the Company) until the restrictions thereon shall have lapsed, and that the Participant deliver a stock power, endorsed in blank, relating to the Stock covered by such Award.

(d) *Restrictions and Restriction Period.* During the Restriction Period applicable to shares of Restricted Stock, such shares shall be subject to limitations on transferability and a Risk of Forfeiture arising on the basis of such conditions related to the performance of services, Company or Affiliate performance or otherwise as the Committee may determine and provide for in the applicable Award Agreement. Any such Risk of Forfeiture may be waived or terminated, or the Restriction Period shortened, at any time by the Committee on such basis as it deems appropriate.

(e) *Rights Pending Lapse of Risk of Forfeiture or Forfeiture of Award.* Except as otherwise provided in the Plan or the applicable Award Agreement, at all times prior to lapse of any Risk of Forfeiture applicable to, or forfeiture of, an Award of Restricted Stock, the Participant shall have all of the rights of a stockholder of the Company, including the right to vote, and the right to receive any dividends with respect to, the shares of Restricted Stock. The Committee, as determined at the time of Award, may permit or require the payment of cash dividends to be deferred and, if the Committee so determines, reinvested in additional Restricted Stock to the extent shares are available under Section 4.

(f) *Lapse of Restrictions.* If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock, any certificates for such shares shall be delivered to the Participant promptly if not theretofore so delivered, and the restrictive legends shall be promptly removed from any book-entry registrations for such shares.

7.4. *Restricted Stock Units.*

(a) *Character.* Each Restricted Stock Unit shall entitle the recipient to a share of Stock at a close of such Restriction Period as the Committee may establish and subject to a Risk of Forfeiture arising on the basis of such conditions relating to the performance of services, Company or Affiliate performance or otherwise as the Committee may determine and provide for in the applicable Award Agreement. Any such Risk of Forfeiture may be waived or terminated, or the Restriction Period shortened, at any time by the Committee on such basis as it deems appropriate.

(b) *Form and Timing of Payment.* Payment of earned Restricted Stock Units shall be made in a single lump sum following the close of the applicable Restriction Period. At the discretion of the Committee, Participants may be entitled to receive payments equivalent to any dividends declared with respect to Stock referenced in grants of Restricted Stock Units but only following the close of the applicable Restriction Period and then only if the underlying Stock shall have been earned. Unless the Committee shall provide otherwise, any such dividend equivalents shall be paid, if at all, without interest or other earnings.

7.5. *Performance Units.*

(a) *Character.* Each Performance Unit shall entitle the recipient to the value of a specified number of shares of Stock, over the initial value for such number of shares, if any, established by the Committee at the time of grant, at the close of a specified Performance Period to the extent specified Performance Goals shall have been achieved.

(b) *Earning of Performance Units.* The Committee shall set Performance Goals in its discretion which, depending on the extent to which they are met within the applicable Performance Period, will determine the number and value of Performance Units that will be paid out to the Participant. After the applicable Performance Period has ended, the holder of Performance Units shall be entitled to receive payout on the number and value of Performance Units earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding Performance Goals have been achieved.

(c) *Form and Timing of Payment.* Payment of earned Performance Units shall be made in a single lump sum following the close of the applicable Performance Period. At the discretion of the Committee, Participants may be entitled to receive any dividends declared with respect to Stock which have been earned in connection with grants of Performance Units which have been earned, but not yet distributed to Participants. The Committee may permit or, if it so provides at grant require, a Participant to defer such Participant's receipt of the payment of cash or the delivery of Stock that would otherwise be due to such Participant by virtue of the satisfaction of any requirements or goals with respect to Performance Units. If any such deferral election is required or permitted, the Committee shall establish rules and procedures for such payment deferrals.

7.6. *Stock Grants.* Stock Grants shall be awarded solely in recognition of significant contributions to the success of the Company or its Affiliates, in lieu of compensation otherwise already due and in such other limited circumstances as the Committee deems appropriate. Stock Grants shall be made without forfeiture conditions of any kind.

7.7. *Qualified Performance-Based Awards.*

(a) *Purpose.* The purpose of this Section 7.7 is to provide the Committee the ability to qualify Awards as "performance-based compensation" under Section 162(m) of the Code. If the Committee, in its discretion, decides to grant an Award as a Qualified Performance-Based Award, the provisions of this Section 7.7 will control over any contrary provision contained in the Plan. In the course of granting any Award, the Committee may specifically designate the Award as intended to qualify as a Qualified Performance-Based Award. However, no Award shall be considered to have failed to qualify as a Qualified Performance-Based Award solely because the Award is not expressly designated as a Qualified Performance-Based Award, if the Award otherwise satisfies the provisions of this Section 7.7 and the requirements of Section 162(m) of the Code and the regulations promulgated thereunder applicable to "performance-based compensation."

(b) *Authority.* All grants of Awards intended to qualify as Qualified Performance-Based Awards and determination of terms applicable thereto shall be made by the Committee or, if not all of the members thereof qualify as "outside directors" within the meaning of applicable IRS regulations under Section 162 of the Code, a subcommittee of the Committee consisting of such of the members of the Committee as do so qualify. Any action by such a subcommittee shall be considered the action of the Committee for purposes of the Plan.

(c) *Applicability.* This Section 7.7 will apply only to those Covered Employees, or to those persons who the Committee determines are reasonably likely to become Covered Employees in the period covered by an Award, selected by the Committee to receive Qualified Performance-Based Awards. The Committee may, in its discretion, grant Awards to Covered Employees that do not satisfy the requirements of this Section 7.7.

(d) *Discretion of Committee with Respect to Qualified Performance-Based Awards.* Options may be granted as Qualified Performance-Based Awards in accordance with Section 7.1, except that the exercise price of any Option intended to qualify as a Qualified Performance-Based Award shall in no event be less that the Market Value of the Stock on the date of grant. With regard to other Awards intended to qualify as Qualified Performance-Based Awards, such as Restricted Stock, Restricted Stock Units, or Performance Units, the Committee will have full discretion to select the length of any applicable Restriction Period or Performance Period, the kind and/or level of the applicable Performance Goal, and whether the Performance Goal is to apply to the Company, a Subsidiary or any division or business unit or to the individual. Any Performance Goal or Goals applicable to Qualified Performance-Based Awards shall be objective, shall be established not later than three (3) months after the beginning of any applicable Performance Period (or at such other date as may be required or permitted for "performance-based compensation" under Section 162(m) of the Code) and shall otherwise meet the requirements of Section 162(m) of the Code, including the requirement that the outcome of the Performance Goal or Goals be substantially uncertain (as defined in the regulations under Section 162(m) of the Code) at the time established.

(e) *Payment of Qualified Performance-Based Awards.* A Participant will be eligible to receive payment under a Qualified Performance-Based Award which is subject to achievement of a Performance Goal or Goals only if the applicable Performance Goal or Goals period are achieved within the applicable Performance Period, as determined by the Committee. In determining the actual size of an individual Qualified Performance-Based Award, the Committee may reduce or eliminate the amount of the Qualified Performance-Based Award earned for the Performance Period, if in its sole and absolute discretion, such reduction or elimination is appropriate.

(f) *Maximum Award Payable.* The maximum Qualified Performance-Based Award payment to any one Participant under the Plan for a Performance Period is the number of shares of Stock set forth in Section 4 above, or if the Qualified Performance-Based Award is paid in cash, that number of shares multiplied by the Market Value of the Stock as of the date the Qualified Performance-Based Award is granted.

(g) *Limitation on Adjustments for Certain Events.* No adjustment of any Qualified Performance-Based Award pursuant to Section 8 shall be made except on such basis, if any, as will not cause such Award to provide other than "performance-based compensation" within the meaning of Section 162(m) of the Code.

7.8. *Awards to Participants Outside the United States.* The Committee may modify the terms of any Award under the Plan granted to a Participant who is, at the time of grant or during the term of the Award,

resident or primarily employed outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that the Award shall conform to laws, regulations, and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the Award to the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad, shall be comparable to the value of such an Award to a Participant who is resident or primarily employed in the United States. The Committee may establish supplements to, or amendments, restatements, or alternative versions of the Plan for the purpose of granting and administrating any such modified Award. No such modification, supplement, amendment, restatement or alternative version may increase the share limit of Section 4.

8. Adjustment Provisions

8.1. *Adjustment for Corporate Actions.* All of the share numbers set forth in the Plan reflect the capital structure of the Company as of the Closing Date (as defined in the Amended and Restated Formation, Contribution and Merger Agreement, dated as of December 18, 2006 (the "Formation Agreement"), between Harris and Stratex Networks, Inc. Subject to Section 8.2, if subsequent to that date the outstanding shares of Stock (or any other securities covered by the Plan by reason of the prior application of this Section) are increased, decreased, or exchanged for a different number or kind of shares or other securities, or if additional shares or new or different shares or other securities are distributed with respect to shares of Stock, through merger, consolidation, sale of all or substantially all the property of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar distribution with respect to such shares of Stock, an appropriate and proportionate adjustment will be made in (i) the maximum numbers and kinds of shares provided in Section 4, (ii) the numbers and kinds of shares or other securities subject to the then outstanding Awards, (iii) the exercise price for each share or other unit of any other securities subject to then outstanding Options and Stock Appreciation Rights (without change in the aggregate purchase price as to which such Options or Rights remain exercisable), and (iv) the repurchase price of each share of Restricted Stock then subject to a Risk of Forfeiture in the form of a Company repurchase right.

8.2. *Treatment in Certain Acquisitions.* Subject to any provisions of then outstanding Awards granting greater rights to the holders thereof, in the event of an Acquisition in which outstanding Awards are not Accelerated in full pursuant to Section 9, any then outstanding Awards shall nevertheless Accelerate in full to the extent not assumed or replaced by comparable Awards referencing shares of the capital stock of the successor or acquiring entity or parent thereof, and thereafter (or after a reasonable period following the Acquisition, as determined by the Committee) terminate. As to any one or more outstanding Awards which are not otherwise Accelerated in full by reason of such Acquisition, the Committee may also, either in advance of an Acquisition or at the time thereof and upon such terms as it may deem appropriate, provide for the Acceleration of such outstanding Awards in the event that the employment of the Participants should subsequently terminate following the Acquisition. Each outstanding Award that is assumed in connection with an Acquisition, or is otherwise to continue in effect subsequent to the Acquisition, will be appropriately adjusted, immediately after the Acquisition, as to the number and class of securities and other relevant terms in accordance with Section 8.1.

8.3. *Cancellation and Termination of Awards.* The Committee may, in connection with any merger, consolidation, share exchange or other transaction entered into by the Company in good faith, determine that any outstanding Awards granted under the Plan, whether or not vested, will be canceled and terminated and that in connection with such cancellation and termination the holder of such Award may receive for each share of Common Stock subject to such Award a cash payment (or the delivery of shares of stock, other securities or a combination of cash, stock and securities equivalent to such cash payment) equal to the difference, if any, between the amount determined by the Committee to be the fair market value of the Common Stock and the purchase price per share (if any) under the Award multiplied by the number of shares of Common Stock subject to such Award; provided that if such product is zero or less or to the extent that the Award is not then exercisable, the Award will be canceled and terminated without payment therefor.

8.4. *Dissolution or Liquidation.* Upon dissolution or liquidation of the Company, other than as part of an Acquisition or similar transaction, each outstanding Option and SAR shall terminate, but the Optionee or

SAR holder (if at the time in the employ of or otherwise associated with the Company or any of its Affiliates) shall have the right, immediately prior to the dissolution or liquidation, to exercise the Option or SAR to the extent exercisable on the date of dissolution or liquidation.

8.5. *Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events.* In the event of any corporate action not specifically covered by the preceding Sections, including but not limited to an extraordinary cash distribution on Stock, a corporate separation or other reorganization or liquidation, the Committee may make such adjustment of outstanding Awards and their terms, if any, as it, in its sole discretion, may deem equitable and appropriate in the circumstances. The Committee may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in this Section) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

8.6. *Related Matters.* Any adjustment in Awards made pursuant to this Section 8 shall be determined and made, if at all, by the Committee and shall include any correlative modification of terms, including of Option exercise prices, rates of vesting or exercisability, Risks of Forfeiture, applicable repurchase prices for Restricted Stock, and Performance Goals and other financial objectives which the Committee may deem necessary or appropriate so as to ensure the rights of the Participants in their respective Awards are not substantially diminished nor enlarged as a result of the adjustment and corporate action other than as expressly contemplated in this Section 8. No fraction of a share shall be purchasable or deliverable upon exercise, but in the event any adjustment hereunder of the number of shares covered by an Award shall cause such number to include a fraction of a share, such number of shares shall be adjusted to the nearest smaller whole number of shares. No adjustment of an Option exercise price per share pursuant to this Section 8 shall result in an exercise price which is less than the par value of the Stock.

9. Change of Control

Upon the occurrence of a Change of Control:

(a) any and all Options and Stock Appreciation Rights not already exercisable in full shall Accelerate if and to the extent so provided in the Award Agreement or so determined by the Committee;

(b) any Risk of Forfeiture applicable to Restricted Stock and Restricted Stock Units which is not based on achievement of Performance Goals shall lapse if and to the extent so provided in the Award Agreement or so determined by the Committee; and

(c) all outstanding Awards of Restricted Stock and Restricted Stock Units conditioned on the achievement of Performance Goals and the target payout opportunities attainable under outstanding Performance Units shall be deemed to have been satisfied as of the effective date of the Change of Control if and to the extent so provided in the Award Agreement or so determined by the Committee;

None of the foregoing shall apply, however, (i) in the case of a Qualified Performance-Based Award specifically designated as such by the Committee at the time of grant (except to the extent allowed by Section 162(m) of the Code), (ii) in the case of any Award pursuant to an Award Agreement requiring other or additional terms upon a Change of Control (or similar event), or (iii) if specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchanges.

10. Settlement of Awards

10.1. *In General.* Options and Restricted Stock shall be settled in accordance with their terms. All other Awards may be settled in cash, Stock, or other Awards, or a combination thereof, as determined by the Committee at or after grant and subject to any contrary Award Agreement. The Committee may not require settlement of any Award in Stock pursuant to the immediately preceding sentence to the extent issuance of such Stock would be prohibited or unreasonably delayed by reason of any other provision of the Plan.

10.2. *Violation of Law*. Notwithstanding any other provision of the Plan or the relevant Award Agreement, if, at any time, in the reasonable opinion of the Company, the issuance of shares of Stock covered by an Award may constitute a violation of law, then the Company may delay such issuance and the delivery of such shares until (i) approval shall have been obtained from such governmental agencies, other than the Securities and Exchange Commission, as may be required under any applicable law, rule, or regulation and (ii) in the case where such issuance would constitute a violation of a law administered by or a regulation of the Securities and Exchange Commission, one of the following conditions shall have been satisfied:

(a) the shares are at the time of the issue of such shares effectively registered under the Securities Act of 1933; or

(b) the Company shall have determined, on such basis as it deems appropriate (including an opinion of counsel in form and substance satisfactory to the Company) that the sale, transfer, assignment, pledge, encumbrance or other disposition of such shares or such beneficial interest, as the case may be, does not require registration under the Securities Act of 1933, as amended or any applicable State securities laws.

The Company shall make all reasonable efforts to bring about the occurrence of said events.

10.3. *Corporate Restrictions on Rights in Stock*. Any Stock to be issued pursuant to Awards granted under the Plan shall be subject to all restrictions upon the transfer thereof which may be now or hereafter imposed by the charter, certificate or articles, and by-laws, of the Company.

10.4. *Investment Representations*. The Company shall be under no obligation to issue any shares covered by any Award unless the shares to be issued pursuant to Awards granted under the Plan have been effectively registered under the Securities Act of 1933, as amended, or the Participant shall have made such written representations to the Company (upon which the Company believes it may reasonably rely) as the Company may deem necessary or appropriate for purposes of confirming that the issuance of such shares will be exempt from the registration requirements of that Act and any applicable state securities laws and otherwise in compliance with all applicable laws, rules and regulations, including but not limited to that the Participant is acquiring the shares for his or her own account for the purpose of investment and not with a view to, or for sale in connection with, the distribution of any such shares.

10.5. *Registration*. If the Company shall deem it necessary or desirable to register under the Securities Act of 1933, as amended or other applicable statutes any shares of Stock issued or to be issued pursuant to Awards granted under the Plan, or to qualify any such shares of Stock for exemption from the Securities Act of 1933, as amended or other applicable statutes, then the Company shall take such action at its own expense. The Company may require from each recipient of an Award, or each holder of shares of Stock acquired pursuant to the Plan, such information in writing for use in any registration statement, prospectus, preliminary prospectus or offering circular as is reasonably necessary for that purpose and may require reasonable indemnity to the Company and its officers and directors from that holder against all losses, claims, damage and liabilities arising from use of the information so furnished and caused by any untrue statement of any material fact therein or caused by the omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made. In addition, the Company may require of any such person that he or she agree that, without the prior written consent of the Company or the managing underwriter in any public offering of shares of Stock, he or she will not sell, make any short sale of, loan, grant any option for the purchase of, pledge or otherwise encumber, or otherwise dispose of, any shares of Stock during the 180 day period commencing on the effective date of the registration statement relating to the underwritten public offering of securities. Without limiting the generality of the foregoing provisions of this Section 10.5, if in connection with any underwritten public offering of securities of the Company the managing underwriter of such offering requires that the Company's directors and officers enter into a lock-up agreement containing provisions that are more restrictive than the provisions set forth in the preceding sentence, then (a) each holder of shares of Stock acquired pursuant to the Plan (regardless of whether such person has complied or complies with the provisions of clause (b) below) shall be bound by, and shall be deemed to have agreed to, the same lock-up terms as those to which the Company's directors and officers are required to adhere; and (b) at the request of the Company

or such managing underwriter, each such person shall execute and deliver a lock-up agreement in form and substance equivalent to that which is required to be executed by the Company's directors and officers.

10.6. *Placement of Legends; Stop Orders; etc.* Each share of Stock to be issued pursuant to Awards granted under the Plan may bear a reference to the investment representation made in accordance with Section 10.4 in addition to any other applicable restriction under the Plan, the terms of the Award and to the fact that no registration statement has been filed with the Securities and Exchange Commission in respect to such shares of Stock. All shares of Stock or other securities delivered under the Plan shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of any stock exchange upon which the Stock is then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any certificates or recorded in connection with book-entry accounts representing the shares to make appropriate reference to such restrictions.

10.7. *Tax Withholding.* Whenever shares of Stock are issued or to be issued pursuant to Awards granted under the Plan, the Company shall have the right to require the recipient to remit to the Company an amount sufficient to satisfy federal, state, local or other withholding tax requirements if, when, and to the extent required by law (whether so required to secure for the Company an otherwise available tax deduction or otherwise) prior to the delivery of any such shares. The obligations of the Company under the Plan shall be conditional on satisfaction of all such withholding obligations and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the recipient of an Award. However, in such cases Participants may elect, subject to the approval of the Committee, acting in its sole discretion, to satisfy an applicable withholding requirement, in whole or in part, by having the Company withhold shares to satisfy their tax obligations. Participants may only elect to have Shares withheld having a Market Value on the date the tax is to be determined equal to the minimum statutory total tax which could be imposed on the transaction. All elections shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee deems appropriate.

11. Reservation of Stock

The Company shall at all times during the term of the Plan and any outstanding Awards granted hereunder reserve or otherwise keep available such number of shares of Stock as will be sufficient to satisfy the requirements of the Plan (if then in effect) and the Awards and shall pay all fees and expenses necessarily incurred by the Company in connection therewith.

12. Limitation of Rights in Stock; No Special Service Rights

A Participant shall not be deemed for any purpose to be a stockholder of the Company with respect to any of the shares of Stock subject to an Award, unless and until shares shall have been issued therefor and delivered to the Participant or his agent. Any Stock to be issued pursuant to Awards granted under the Plan shall be subject to all restrictions upon the transfer thereof which may be now or hereafter imposed by the Certificate of Incorporation and the By-laws of the Company. Nothing contained in the Plan or in any Award Agreement shall confer upon any recipient of an Award any right with respect to the continuation of his or her employment or other association with the Company (or any Affiliate), or interfere in any way with the right of the Company (or any Affiliate), subject to the terms of any separate employment or consulting agreement or provision of law or corporate articles or by-laws to the contrary, at any time to terminate such employment or consulting agreement or to increase or decrease, or otherwise adjust, the other terms and conditions of the recipient's employment or other association with the Company and its Affiliates.

13. Unfunded Status of Plan

The Plan is intended to constitute an "unfunded" plan for incentive compensation, and the Plan is not intended to constitute a plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended. With respect to any payments not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of

the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Stock or payments with respect to Options, Stock Appreciation Rights and other Awards hereunder, *provided, however*, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

14. Nonexclusivity of the Plan

Neither the adoption of the Plan by the Board nor the submission of the Plan to the stockholders of the Company shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including without limitation, the granting of stock options and restricted stock other than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

15. Termination and Amendment of the Plan

The Board may at any time terminate the Plan or make such modifications of the Plan as it shall deem advisable. Unless the Board otherwise expressly provides, no amendment of the Plan shall affect the terms of any Award outstanding on the date of such amendment.

The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, provided that the Award as amended is consistent with the terms of the Plan. Notwithstanding the foregoing, the Company will not reprice, or cancel and regrant any outstanding award without shareholder approval.

No amendment or modification of the Plan by the Board, or of an outstanding Award by the Committee, shall impair the rights of the recipient of any Award outstanding on the date of such amendment or modification or such Award, as the case may be, without the Participant's consent; *provided, however,* that no such consent shall be required if (i) the Board or Committee, as the case may be, determines in its sole discretion and prior to the date of any Change of Control that such amendment or alteration either is required or advisable in order for the Company, the Plan or the Award to satisfy any law or regulation, including without limitation the provisions of Section 409A of the Code or to meet the requirements of or avoid adverse financial accounting consequences under any accounting standard, or (ii) the Board or Committee, as the case may be, determines in its sole discretion that such amendment or alteration is not reasonably likely to significantly diminish the benefits provided under the Award, or that any such diminution has been adequately compensated.

16. Notices and Other Communications

Any notice, demand, request or other communication hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or duly sent by first class registered, certified or overnight mail, postage prepaid, or telecopied with a confirmation copy by regular, certified or overnight mail, addressed or telecopied, as the case may be, (i) if to the recipient of an Award, at his or her residence address last filed with the Company and (ii) if to the Company, at its principal place of business, addressed to the attention of its Treasurer, or to such other address or telecopier number, as the case may be, as the addressee may have designated by notice to the addressor. All such notices, requests, demands and other communications shall be deemed to have been received: (i) in the case of personal delivery, on the date of such delivery; (ii) in the case of mailing, when received by the addressee; and (iii) in the case of facsimile transmission, when confirmed by facsimile machine report.

17. Severability

If any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect under any applicable law, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

18. Governing Law

The Plan and all Award Agreements and actions taken thereunder shall be governed, interpreted and enforced in accordance with the laws of the state of Delaware, without regard to the conflict of laws principles thereof.

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 27, 2008

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)*

Registrant's telephone number, including area code: (919) 767-3230

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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

As of December 28, 2007, the last business day of our most recently completed second fiscal quarter, the aggregate market value of the registrant's Class A Common Stock and Class B Common Stock held by non-affiliates was approximately $423,866,000 (based upon the quoted closing sale price per share on the NASDAQ Global Market system). For purposes of this calculation, the registrant has assumed that its directors and executive officers as of December 28, 2007 are affiliates.

Class of Stock	Shares Outstanding as of September 15, 2008
Class A Common Stock, par value $0.01 per share	25,556,822
Class B Common Stock, par value $0.01 per share	32,913,377
Total shares of common stock outstanding	58,470,199

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Shareholders scheduled to be held November 20, 2008, which will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended June 27, 2008, are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent described therein.

EXPLANATORY NOTE

The filing of this Form 10-K for the fiscal year ended June 27, 2008 was delayed because, as previously announced on July 30, 2008, Harris Stratex Networks, Inc. and its Audit Committee concluded that our previously filed interim condensed consolidated financial statements for the quarters ended March 28, 2008, December 28, 2007 and September 28, 2007, respectively, and our previously filed consolidated financial statements for the fiscal years ended June 29, 2007, June 30, 2006 and July 1, 2005 would be restated for the correction of errors contained in those consolidated financial statements.

Previously filed (i) annual consolidated financial statements for the fiscal years ended June 29, 2007, June 30, 2006 and July 1, 2005 included in the Company's Annual Report on Form 10-K ("Form 10-K") for the year ended June 29, 2007, (ii) interim condensed consolidated financial statements for the quarters ended March 28, 2008, December 28, 2007 and September 28, 2007 and (iii) related reports of its independent registered public accountants have been replaced by the fiscal 2007 Form 10-K/A and the Forms 10-Q/A for the quarters ended March 28, 2008, December 28, 2007 and September 28, 2007 filed by the Company on September 25, 2008.

Specifically, we have restated our consolidated financial statements for the periods listed above related to the following items:

- Errors in project work in process inventory accounts within a cost accounting system at one location that resulted in project cost variances not being recorded to cost of sales in a timely manner.
- Errors in the reconciliation of inventory and intercompany accounts receivable accounts which resulted in an overstatement of inventory and accounts receivable in prior years.
- Errors in prior years' product warranty liability accruals which resulted in the improper exclusion of costs associated with technical assistance service provided by the Company under its standard warranty policy.

The effect of these restatement items decreased shareholders' equity cumulatively by $15.3 million as of March 28, 2008, $11.6 million as of June 29, 2007, $7.7 million as of June 30, 2006 and $4.9 million as of July 1, 2005. Division equity, which as reclassified to additional paid-in capital at the merger date of January 26, 2007, decreased from the amount previously reported by $8.3 million. Previously reported net income was decreased by $3.7 million for the three quarters ended March 28, 2008 and net loss was increased by $3.9 million and $2.8 million for the fiscal years ended June 29, 2007 and June 30, 2006, respectively. The restatement had no impact on our net cash flows from operations, financing activities or investing activities.

This restatement is more fully described in Part I herein under Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations (Restated)" and in Item 15 "Exhibits and Financial Statement Schedules" of Part IV of our consolidated financial statements and related notes, including, without limitation, in Note D "Restatement to Previously Issued Financial Statements" to such consolidated financial statements. The restatement also affects, and is reflected in, other items in this Form 10-K.

HARRIS STRATEX NETWORKS, INC.

ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended June 27, 2008

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This Annual Report on Form 10-K contains trademarks of Harris Stratex Networks, Inc.

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 (Restated)," 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.

PART I

Item 1. *Business.*

Harris Stratex Networks, Inc., together with its subsidiaries, is a leading global supplier of turnkey wireless network solutions and comprehensive network management software, backed by an extensive suite of professional services and support. 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 market segments 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 common stock is listed on the NASDAQ Global Market under the symbol HSTX. As of June 27, 2008, we employed approximately 1,410 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.

First Full Year of Operation as Harris Stratex Networks, Inc.

January 26, 2007 saw the completion of the 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. Thus, fiscal 2008 was the first full year of operation as Harris Stratex Networks, Inc.

Harris Stratex Networks, Inc. Overview and Description of Business by Segment for Fiscal 2008

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 and services, delivering them 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 are set forth in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Restated)."

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 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.

Our North America segment revenue is approximately 32% of our total revenue for fiscal 2008. 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 agencies, government and defense agencies, and other private network operators in every region outside of North America. Our wireless systems deliver regional and country-wide backbone in developing nations, where microwave radio installations provide 21st-century

communications rapidly and economically. Rural communities, areas with rugged terrain and regions with extreme temperatures benefit from the ability to build an advanced, affordable communications infrastructure despite these challenges. A significant part of our international business is in supplying wireless segments in small-pocket, remote, rural and metropolitan areas. High-capacity backhaul is one of the fastest growing wireless market segments and is a major opportunity for us. We see the increase in subscriber density and the forecasted growth and introduction of new bandwidth-hungry 3G services as major drivers for growth is this market.

Our International Microwave segment represented approximately 64% of our revenue for fiscal 2008. 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. ProVision® provides element management for Eclipse and TRuepoint solutions.

Our Network Operations segment represented approximately 4% of our revenue for fiscal 2008. 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 interconnect 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 links. The architecture of a network is influenced by several factors, including the available radio frequency spectrum, coordination of frequencies with existing infrastructure, application requirements, environmental factors and local geography.

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

- *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 infrastructure. To service providers in developing countries seeking to increase the availability and quality of telecommunications and Internet access services, wireless solutions are an attractive alternative to the construction or leasing of wireline networks, given their relatively low cost and ease of deployment. As a result, there has been an increased establishment of mobile and fixed wireless telecommunications infrastructures in developing countries. Emerging telecommunications markets in Africa, Asia, the Middle East, Latin America and Eastern Europe are characterized by a need to build out basic telecommunications systems.

- *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. New mobile services based on third-generation wireless technologies also are creating additional demand and growth in mobile networks and their associated infrastructure. The demand for fixed broadband access networks also has 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 wireless broadband services based on technologies such as WiMAX are expected to expand over the next several years.

- *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 Trends and Developments

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;
- Increase in global wireless subscribers; and
- Re-allocation or public auction of frequency spectrum towards commercial applications in wireless broadband and mobility.

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 international sales are significantly greater than our North American sales, 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 continues to be a clear leader in the U.S. wireless transmission market. We plan to continue our growth and leadership with innovative solutions for mobile network backhaul, public safety, government, utilities, transportation and other market segments.

- *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 Latin 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. Our products offer high-value solutions to virtually every type of service provider or network operator.
- *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 our products are ideally suited to meet those needs.
- *Offer complete turnkey solutions.* We plan to continue leveraging more than eight decades of 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 network, systems and civil engineering support and services — a key competitive differentiator for Harris Stratex 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 or other manufacturers, network management systems and professional services. These solutions address a wide range of transmission frequencies, ranging from 4 to 38 GHz, and a wide range of transmission capacities, ranging from 2 megabits per second to 2.5 gigabits per second. Major product families include Eclipse, TRuepoint, Constellation, NetBoss and ProVision.
- *Low total cost of ownership.* Microwave radio-based solutions 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. Our latest generation systems reduce rack space and spare parts requirements and simplify installation, operation, upgrade and maintenance procedures and associated costs.
- *Future-proof network.* Our solutions 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 Carrier Ethernet and Internet Protocol ("IP")-based networking.
- *Flexible, easily configurable products.* We intend to continue using flexible architectures with a high level of software configurable features. This design approach produces high-performance products with the maximum reuse of components and at the same time allows for a manufacturing strategy with a high degree of flexibility, improved cost and reduced time to market. The software features of our products give our customers a greater degree of flexibility in installing, operating and maintaining their networks.

- *Comprehensive network management.* We offer a range of flexible network management solutions, from element management to enterprise-wide network management and service assurance — all optimized to work with Harris Stratex's 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. Using Ethernet plug-in cards, it supports carrier-grade Ethernet certified by the Metro Ethernet Forum. 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. 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.

License-Exempt Point-to-Point Microwave Radios

Harris Stratex offers license-exempt wireless interconnection for wireless access, cellular backhaul, Internet service, local and wide area networking and emergency response communications systems. These solutions enable network operators to deploy wireless transmission systems rapidly, reliably and cost-efficiently, while avoiding costly, time-consuming frequency coordination and licensing.

Network Management

Our major network management product families include NetBoss and ProVision. 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 digital microwave radios, such as the TRuepoint family, but also can 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.

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 and Argentina in Central and South America; Croatia, France, Germany, Poland, Portugal and the United Kingdom in Europe; Kenya, Nigeria, Ivory Coast and South Africa in Africa; the United Arab Emirates in the Middle East; and 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. Our international headquarters in Singapore provides sales and customer support for the Asia-Pacific region from this facility. We have customer service and support personnel who provide customers with training, installation, technical support, maintenance and other services on systems under contract. We install and maintain customer equipment directly in some cases and contract with third-party service providers in other cases, depending on the equipment being installed and customer requirements. We generally offer a conditional warranty for all customers on all of our products.

Manufacturing

Our overall manufacturing approach has involved a combination of in-house and outsourced processes. In general, printed circuit assemblies, mechanical housings, and packaged modules are manufactured by strategically selected contract manufacturing partners, with periodic business reviews of material levels and obsolescence. Product assembly, product test, complete system integration and system test may either be performed within our own facilities or at partner locations.

In accordance with our global logistics requirements and customer geographic distribution we are engaged with contract manufacturing partners in Asia, Europe and the United States. All 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

Our backlog by business segment is as follows:

	August 22, 2008	August 20, 2007
	(In millions)	
North America Microwave	$101.1	$ 96.1
International Microwave	250.9	111.0
Network Operations	11.9	11.3
	$363.9	$218.4

Substantially this entire backlog is expected to be filled during fiscal 2009, but we can give no assurance of such fulfillment. 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 wireless networks. During fiscal 2008, we had one customer in Africa (Mobile Telephone Networks or MTN) that accounted for 13% of our total revenue. As of June 27, 2008, MTN accounted for approximately 13% of our accounts receivable. In fiscal 2007, no customers accounted for more than 10% of our total revenue. During fiscal 2006, a customer in Nigeria accounted for 15% of our 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 2008 from products exported from the U.S. or manufactured abroad was $526.1 million (73% of our revenue), compared with $339.2 million (67% of our revenue) in fiscal 2007 and $196.8 million (55% of our revenue) in fiscal 2006. 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. The functional currency of our subsidiaries located in the United Kingdom, Singapore, Mexico and New Zealand is the U.S. dollar so the effect of foreign currency changes have not had a significant effect on our revenue. Direct export sales, as well as sales from international subsidiaries, are primarily denominated in U.S. dollars. Exports from the U.S., principally to Africa, Canada, Europe, Asia and South and Central America, totaled $116.5 million (22% of our non-U.S. revenue) in fiscal 2008, $214.3 million (63% of our non-U.S. revenue) in fiscal 2007 and $85.1 million (43% of our non-U.S. revenue) in fiscal 2006. Operations conducted in local international currencies represented 22% of our revenue in fiscal 2008, 19% of our revenue in fiscal 2007 and 20% of our revenue in fiscal 2006. Non-U.S. operations represented 58% of our long-lived assets as of June 27, 2008 and 61% of long-lived assets as of June 29, 2007.

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 2008, revenue from indirect sales channels represented 4% of our total revenue and 6% of our non-U.S. revenue, compared to revenue from indirect sales channels in fiscal 2007 representing 11% of our total revenue and 16% of our non-U.S. revenue and 5% of our total revenue and 6% of our non-U.S. revenue in fiscal 2006.

Fiscal 2008 and 2007 revenue came from customers in a large number of international countries. During fiscal 2008, no single country accounted for 5% or more of our total revenue except for Nigeria with 19%. During fiscal 2007, no single country accounted for 5% or more of our total revenue except for Nigeria with 11% and Canada with

8% compared with Nigeria with 23% and Canada with 8% in fiscal 2006. Most of our exports are paid for by letters of credit, with the balance carried on an open account. 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 such as Ceragon and Huawei Technologies 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.

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 $46.1 million, or 6.4% of revenue, in fiscal 2008, $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 Eclipse, TRuepoint and NetBoss product lines.

We maintain an engineering and new product development department, with scientific assistance provided by advanced-technology departments. As of June 27, 2008, we employed a total of 227 people in our research and development organizations in Morrisville, North Carolina; San Jose, California; Wellington, New Zealand; Melbourne, Florida; and Singapore.

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 27, 2008, we held 92 U.S. patents and 68 international patents and had 39 U.S. patent applications pending and 90 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 27, 2008, we employed approximately 1,410 people, compared with approximately 1,440 people at the end of fiscal 2007. Approximately 840 of our employees are located in the U.S. We also utilized approximately 160 independent contractors as of the end of July 2008. 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.

Website Access to Harris Stratex 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"). Our website and the information posted thereon are not incorporated into this Annual Report on Form 10-K or any current or other periodic report that we file or furnish to the SEC.

We will also provide the reports in electronic or paper form, free of charge upon request. 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 (Restated)."

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.

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

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

The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that we are not aware of or focused on may also impair our business operations. If any of these risks actually occur, our financial condition and results of operations could be materially and adversely affected.

We 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 2008, we incurred a net loss of $11.9 million and in fiscal 2007, we incurred a net loss of $21.8 million. We can give no assurance that we will be consistently profitable, if at all.

We may experience impairment charges for our intangible assets or goodwill.

As of June 27, 2008, the net carrying value of our intangible assets and goodwill totaled approximately $130.1 million and $284.2 million, respectively. Our intangible assets are subject to impairment testing in accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets* and our goodwill is subject to an impairment test in accordance with Statement No. 142, *Goodwill and Other Intangible Assets*. We review the carrying value of our intangible assets and goodwill for impairment whenever events or circumstances indicate that their carrying amount may not be recoverable. Significant negative industry or economic trends, including a lack of recovery in the market price of our common stock or the fair value of our debt, disruptions to our business, unexpected significant changes or planned changes in the use of the intangible assets, and mergers and acquisitions could result in the need to reassess the fair value of our assets and liabilities which could lead to an impairment charge for any of our intangible assets or goodwill. An impairment charge related to our intangible assets or goodwill could have a significant effect on our financial position and results of operations in the periods recognized.

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 such as Ceragon and Huawei Technologies 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.

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.

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

In fiscal 2006, we wrote off excess inventory resulting from our decision to terminate a legacy product line. The result of the write-off in fiscal 2006 was a charge to cost of external products sales of $34.9 million. In fiscal 2008, we had additional inventory impairment charges resulting from post-merger product transitioning and product end-of-life events. The result of the write-off in fiscal 2008 was a charge to cost of external products sales of $14.7 million. Inventory of raw materials, work in-process or finished products may accumulate in the future, and we may encounter losses due to a variety of factors including:

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

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

inventory which we may be required to write-off. If we are forced to write-off this inventory other than in the normal course of business, our business, financial condition, results of operations could be materially affected adversely.

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

Sales of our products and services historically have been concentrated in a small number of customers. Principal customers for our products and services include domestic and international wireless/mobile service providers, 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 2008 and 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 affected adversely.

We may undertake further restructurings which may adversely impact our operations, and we may not realize all of the anticipated benefits of our prior or any future restructurings.

We continue to restructure and transform our business to realign resources and achieve desired cost savings in an increasingly competitive market. During fiscal 2008 and 2007, we undertook restructuring activities implemented within the merger restructuring plans approved in connection with the January 26, 2007 merger between the Microwave Communications Division of Harris Corporation and Stratex Networks, Inc. These restructuring plans included the consolidation of facilities and operations of the predecessor entities in Canada, France, the U.S., China, Brazil and, to a lesser extent, Mexico, New Zealand and the United Kingdom. If we consolidate additional facilities in the future, we may incur additional restructuring and related expenses, which could have a material adverse effect on our business, financial condition or results of operations.

We have based our restructuring efforts on certain assumptions regarding the cost structure of our businesses. Our assumptions may or may not be correct and we may also determine that further restructuring will be needed in the future. We therefore cannot assure you that we will realize all of the anticipated benefits of the restructurings or that we will not further reduce or otherwise adjust our workforce or exit, or dispose of, certain businesses. Any decision by management to further limit investment, exit, or dispose of businesses may result in the recording of additional restructuring charges. As a result, the costs actually incurred in connection with the restructuring efforts may be higher than originally planned and may not lead to the anticipated cost savings and/or improved results.

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

Our future effective tax rate may be adversely affected by a number of factors including:

- The jurisdictions in which profits are determined to be earned and taxed;
- Adjustments to estimated taxes upon finalization of various tax returns;
- Increases in expenses not deductible for tax purposes, including write-offs of acquired in-process research and development and impairment of goodwill in connection with acquisitions;
- Changes in available tax credits;
- Changes in share-based compensation expense;
- Changes in the valuation of our deferred tax assets and liabilities;
- Changes in domestic or international tax laws or the interpretation of such tax laws; and

• The resolution of issues arising from tax audits with various tax authorities.

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

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

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

If we fail to accurately predict our manufacturing requirements or forecast customer demand, we may incur additional costs of manufacturing and our gross margins and financial results could be adversely affected. If we overestimate our requirements, our contract manufacturers may experience an oversupply of components and assess us charges for excess or obsolete components that could adversely affect our gross margins. If we underestimate our requirements, our contract manufacturers may have inadequate inventory or components, which could interrupt manufacturing and result in higher manufacturing costs, shipment delays, damage to customer relationships and/or our payment of penalties to our customers. Our contract manufacturers may also have other customers and may not have sufficient capacity to meet all of their customers' needs, including ours, during periods of excess demand.

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

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

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

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 2008, our sales to international customers accounted for 73% of total revenue. During fiscal 2007 and 2006, sales to international customers accounted for 67% and 55% of our revenue, respectively. 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.

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

Our 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.

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, product transitioning 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. As we transition to common product platforms, we may face significant risk that current customers may not accept these new products. To the extent that we fail to introduce new and innovative products that are adopted by customers, we could fail to obtain an adequate return on these investments and could lose market share to our competitors, which could be difficult or impossible to regain.

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. A risk of non-payment by customers is a significant focus of our business. We expect a significant amount of future revenue to come from international customers, many of whom will be startup telecom operators in developing countries. We do not generally expect to obtain collateral for sales, although we require letters of credit or credit insurance as appropriate for international customers. For information regarding the percentage of revenue attributable to certain key customers, see the risks discussed in the factor 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 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.

We have risks related to the remediation of our material weaknesses in internal control.

Public companies are required to include in their annual reports on Form 10-K a report of management on internal control over financial reporting that contains an assessment by management of the effectiveness of the company's internal control over financial reporting. In addition, an independent registered public accounting firm must attest to and report on management's assessment of the effectiveness of the company's internal control over financial reporting. We have identified certain matters involving our internal control over financial reporting that we and our independent registered public accounting firm determined to be material weaknesses under standards established by the Public Company Accounting Oversight Board. These material weaknesses relate to controls over project cost variances and account reconciliations and existed at the end of our fiscal year ended June 27, 2008 as well as in our 2007, 2006 and 2005 fiscal years. We have described these matters in more detail in Item 9A herein.

While we believe that the remediation efforts we have recently instituted are adequate to correct the problems we have identified, we cannot be certain that these efforts will eliminate the material weaknesses we identified or ensure that we design, implement and maintain adequate controls over our financial processes and reporting in the future. There is also no assurance that we will not discover additional material weaknesses in our controls and procedures in the future. If we fail to satisfactorily strengthen and maintain the effectiveness of our internal controls, neither we nor our independent registered public accounting firm may be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. As a result, current and potential shareholders could lose confidence in our financial reporting, which could adversely affect the trading price of our Class A common stock. Perceptions of us could also be adversely affected among customers, lenders, securities analysts and others which, in turn, could materially and adversely affect our business, our financial condition and the market value of our securities.

The discovery of future weaknesses or deficiencies in our internal control or identification of material misstatements in our prior financial statements may also prevent us from filing our periodic reports with the SEC in a timely manner. If we fail to file timely SEC reports, investors in our securities will not have the information required by SEC rules regarding our business and financial condition with which to make decisions regarding investment in our securities. Additionally, The NASDAQ Stock Market LLC, the exchange on which our common stock is listed, could institute proceedings to delist our common stock. We also would not be eligible to use a "short form" registration statement on Form S-3 to make equity or debt offerings for a period of 12 months after the time we become current in our filings. These restrictions could adversely affect our ability to raise capital, as well as our business, financial condition and results of operations, and could also result in an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of our financial statements, which ultimately could negatively impact our stock price.

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

In connection with our identification of the material weaknesses in internal control described above, we have had to restate our interim consolidated financial statements for the first three fiscal quarters of fiscal 2008 (the quarters ended March 28, 2008, December 28, 2007 and September 28, 2007) and our consolidated financial statements for the fiscal years ended June 29, 2007, June 30, 2006 and July 1, 2005 in order to correct errors contained in those financial statements. We also announced on July 30, 2008 that investors should no longer rely on our previously issued financial statements for those periods. We have described these matters in more in detail in Item 7 and in Item 8 under Note D "Restatement of Previously Issued Financial Statements" to our consolidated financial statements contained herein.

The correction of errors in prior financial statements and the investigation and remediation of underlying material weaknesses often requires companies to incur substantial accounting, legal and other professional fees and expend significant management time and other resources. While we do not believe that the restatements described above or the related investigation and review have, or will have, a material adverse effect on our financial condition or future prospects, no assurance can be given that additional expense related to these or other restatements will not arise the future.

Companies that restate prior financial statements may also face governmental actions, shareholder lawsuits and other legal proceedings related to the restatement. Our involvement in any such proceedings could require us to incur substantial legal fees and divert management attention away from the operation of our business. We may also be required to pay substantial monetary awards, as well as civil and criminal fines. We have not reserved any amount in respect of these matters in its consolidated financial statements. These expenditures and diversions of resources, as well as the adverse resolution of any specific lawsuits, could have a material adverse effect on our business, financial condition and results of operations.

On September 15 and 18, 2008, complaints were filed against us on behalf of an alleged class of purchasers of our securities from January 29, 2007 to July 30, 2008 alleging that we violated federal securities laws in connection with our restatement of prior financial statements and seeking compensator damages and other relief, as more fully described in Item 3 "Legal Proceedings." While we believe that we have meritorious defenses to this lawsuit and intend to defend the litigation vigorously, given the preliminary nature of the alleged claims and the inherent unpredictability of litigation, we cannot at this time estimate the possible outcome of this or any other similar actions.

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 56% interest of our outstanding equity which gives it approximately 56% 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 stockholders, in the election of the four remaining directors, and as the holder of approximately 56% 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.

Annual Report

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.

Item 1B. *Unresolved Staff Comments.*

None.

Item 2. *Properties.*

As of June 27, 2008, we conducted operations in 51 facilities in the U.S., Canada, Europe, Central America, South America, Africa and Asia. 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 2015.

As of June 27, 2008, the locations and approximate floor space of our principal offices and facilities in productive use were as follows:

Location	Major Activities	Owned (Square feet)	Leased (Square feet)
San Antonio, Texas	Office, manufacturing	130,000	—
Wellington, New Zealand	Office, R&D center	58,000	—
Lanarkshire, Scotland	Office, repair center	52,000	—
San Jose, California (three facilities)	Offices, R&D center, warehouse	—	114,000
Montreal, Canada	Office, R&D center	—	32,000
Morrisville, North Carolina	Headquarters, R&D center	—	60,000
Philippine Islands	Office	—	16,000
People's Republic of China (three facilities)	Offices, manufacturing	—	15,000
Paris, France (two facilities)	Offices	—	15,000
Republic of Singapore	Office	—	13,000
Mexico City, Mexico (two facilities)	Offices, warehouse	—	12,000
34 other facilities	Offices	—	68,000
Totals		240,000	345,000

During fiscal 2007, in connection with the acquisition of Stratex, we ceased operations at, and subsequently vacated leased facilities in Seattle, Washington, and San Jose and Milpitas, California. These three facilities comprise approximately 139,000 square feet, of which 95,000 square feet have been subleased to third parties. Additionally, we ceased most operations at, and mostly vacated a fourth leased 60,000 square foot facility in San Jose, California. We have retained 26,000 square feet for our use and subleased 4,400 square feet of the remaining space to a third party. 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 T — Operating Lease Commitments" and "Note O — Restructuring Activities" of Notes to Consolidated Financial Statements, which are included in Part II, Item 8 of this Annual Report on Form 10-K.

Item 3. *Legal Proceedings.*

We and certain of our executive officers were named in a federal securities class action complaint filed on September 15, 2008 in the United States District Court for the District of Delaware by plaintiff Norfolk County Retirement System on behalf of an alleged class of purchasers of our securities from January 29, 2007 to July 30, 2008, including shareholders of Stratex Networks, Inc. who exchanged shares of Stratex Networks, Inc. for our shares as part of the merger between Stratex Networks and the Microwave Communications Division of Harris Corporation. This action relates to the restatement of our prior financial statements, as discussed more fully in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations (Restated)" and in Item 8 "Financial Statements and Supplementary Data (Restated)" under Note D "Restatement of Previously Issued Financial Statements" to our consolidated financial statements. A similar complaint was filed in the United States District Court as Delaware on September 18, 2008. Each complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, as well as violations of Sections 11 and 15 of the Securities Act of 1933 and seeks, among other relief, determinations that the action is a proper class action, unspecified compensatory damages and reasonable attorneys' fees and costs. We believe that we have meritorious defenses and intend to defend ourselves vigorously.

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.

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

No matters were submitted by us to a vote of our security holders, through the solicitation of proxies or otherwise, during the fourth quarter of fiscal 2008.

EXECUTIVE OFFICERS OF THE REGISTRANT

The name, age, position held with us, and principal occupation and employment during at least the past 5 years for each of our executive officers as of September 25, 2008, are as follows:

Name and Age	Position Currently Held and Past Business Experience
Harald J. Braun, 52	Mr. Braun was appointed president and chief executive officer of our company in April, 2008 and is a member of our Board of Directors. Previously, he served as president and CEO of Siemens Networks LLC and most recently as a senior executive in Nokia Siemens Networks North America. In 2002, Mr. Braun became president, Siemens Carrier Networks Division, focused on next-generation technologies and services. From 2000-2002, he served as Siemens senior vice president and the head of Siemens Ltd. in Thailand, with responsibility for sales of the company's next-generation network products. Prior to this, he served in a number of management roles at Siemens AG.
Sarah A. Dudash, 54 . . .	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.

Name and Age	Position Currently Held and Past Business Experience
Paul A. Kennard, 57 . . .	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, 53. .	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.
Juan Otero, 44	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.
Heinz Stumpe, 53	Mr. Stumpe was appointed chief operating officer and vice president global operations on June 30, 2008. Previously, he was vice president operations. He joined Stratex Networks as director, marketing in 1996. He was promoted to vice president, global accounts in 1999, vice president, strategic accounts in 2002 and vice president, global operations in April 2006. Prior to joining Stratex Networks, Mr. Stumpe worked for California Microwave from 1992 to 1996 as vice president, operations. Prior to that, Mr. Stumpe was director, operations for Amstrad plc, a UK-based Computer and Communications Equipment Company.
Shaun McFall, 48	Mr. McFall was named chief marketing officer in July 2008. Previously, he was vice president marketing. He has been with the company since 1989. His initial assignment was in new business development, first in the UK and later the European market. In 1994, he assumed responsibility for worldwide product marketing. He has over 20 years of experience in the wireless telecommunications industry, holding prior positions with two UK based companies: Ferranti International Signal plc. and GEC Telecommunications Ltd. Mr. McFall holds a bachelor of science degree in Electrical and Electronic Engineering from the University of Strathclyde in Glasgow, UK.

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.

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 Class A 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 September 15, 2008, 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 years 2008 and 2007:

	Fiscal 2008		Fiscal 2007	
	High ($)	Low ($)	High ($)	Low ($)
First Quarter	20.90	15.90	None	None
Second Quarter	19.97	15.41	None	None
Third Quarter	18.75	8.53	21.25	18.23
Fourth Quarter	11.44	8.88	20.07	14.85

On September 15, 2008, the last sale price of our common stock as reported in the NASDAQ Global Market system was $8.05 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 $70 million credit facility dated June 30, 2008 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 the fourth quarter of fiscal 2008, we did not issue or sell any unregistered securities.

Issuer Repurchases of Equity Securities

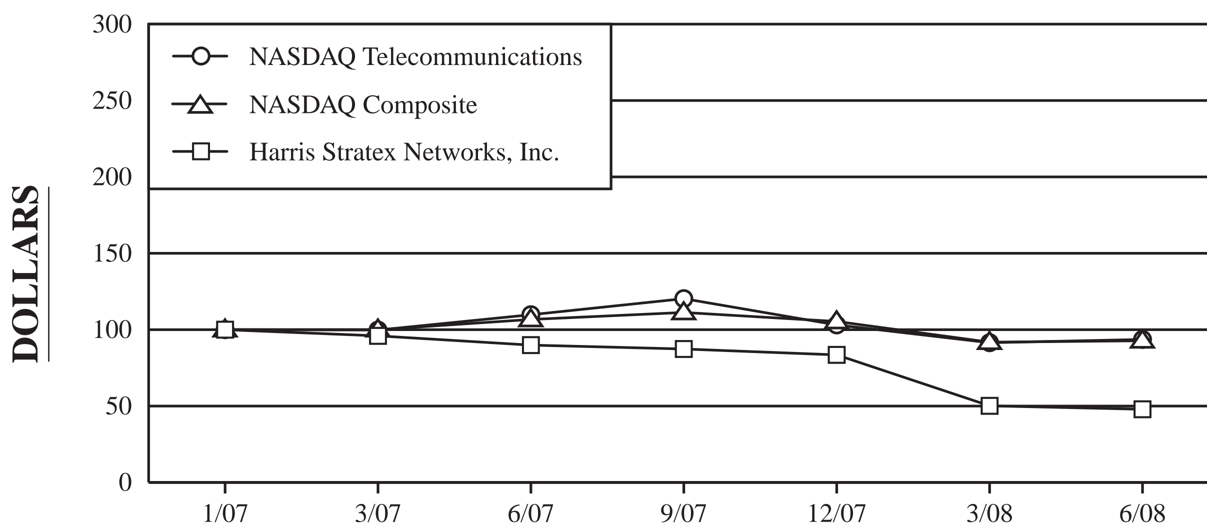
During the fourth quarter of fiscal 2008, we did not repurchase any equity securities.

Performance Graph

The following graph and accompanying data compares the cumulative total return on our Class A Common Stock with the cumulative total return of the Total Return Index for The NASDAQ Composite Market (U.S. Companies) and the NASDAQ Telecommunications Index for the one-year, five month period commencing January 29, 2007 and ending June 27, 2008. The stock price performance shown on the graph below is not necessarily indicative of future price performance. Note that this graph and accompanying data is "furnished," not "filed," with the Securities and Exchange Commission.

COMPARISON OF 1 YEAR, 5 MONTH CUMULATIVE TOTAL RETURN*

Among Harris Stratex Networks, Inc., The NASDAQ Composite Index and the NASDAQ Telecommunications Index



	Jan/2007	Mar/2007	Jun/2007	Sep/2007	Dec/2007	Mar/2008	Jun/2008
Harris Stratex Networks, Inc.	100.00	95.95	89.90	87.35	83.50	50.15	47.90
NASDAQ Composite	100.00	100.02	106.70	111.27	105.37	91.82	92.74
NASDAQ Telecommunications	100.00	99.75	109.79	120.30	103.11	91.47	93.60

* Assumes (i) $100 invested on January 29, 2007 in Harris Stratex Networks, Inc. Class A 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 (Restated).***

The following table summarizes our selected historical financial information for each of the last five fiscal years. The selected financial information as of June 27, 2008 and June 29, 2007 and for the fiscal years ended June 27, 2008, 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 2008, 2007 and 2006 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 (Restated)" and the Consolidated Financial Statements and Notes, included elsewhere in this Annual Report on Form 10-K.

	Fiscal Years Ended				
	June 27, 2008(1)	June 29, 2007(2)	June 30, 2006(3)	July 1, 2005	July 2, 2004(4)
		(Restated)	(Restated) (In millions)	(Restated)	(Restated)
Revenue from product sales and services	$ 718.4	$ 507.9	$ 357.5	$ 310.4	$ 329.8
Cost of product sales and services	(528.2)	(361.2)	(275.2)	(223.5)	(246.0)
Net loss	(11.9)	(21.8)	(38.6)	(6.8)	(22.2)
Basic and diluted net loss per common share	(0.20)	(0.88)	N/A	N/A	N/A

	As of				
	June 27, 2008(1)	June 29, 2007(2)	June 30, 2006(3)	July 1, 2005	July 2, 2004(4)
		(Restated)	(Restated) (In millions)	(Restated)	(Restated)
Total assets	$977.3	$1,025.5	$344.9	$358.1	$342.3
Long-term liabilities	28.1	65.0	12.6	14.2	15.0
Total net assets	748.2	746.4	244.3	275.4	244.6

(1) During fiscal 2008, in our International Microwave segment, we recorded $11.9 million in amortization of developed technology, tradenames, customer relationships, and non-compete agreements, $1.7 million in amortization of the increase in fair value of fixed assets related to the acquisition of Stratex, $2.6 million in restructuring charges, $6.1 million in merger related integration charges and $1.8 million of inventory mark-downs.

In addition, in our North America Microwave segment, we recorded $2.7 million in amortization of developed technology, tradenames, customer relationships, and non-compete agreements, $1.1 million in amortization of the increase in fair value of fixed assets related to the acquisition of Stratex, $4.9 million in restructuring charges and $3.2 million in merger-related integration charges, $12.9 million of inventory mark-downs and impairment related to product transitioning and $1.8 million of lease impairments.

(2) 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 or subsequent fiscal years. 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.

(3) 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.

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

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

Restatement of Previously Issued Financial Statements

As previously announced on July 30, 2008, we concluded that our consolidated financial statements for the quarters ended March 28, 2008, December 28, 2007 and September 28, 2007, respectively, and fiscal years ended June 29, 2007, June 30, 2006 and July 1, 2005 would be restated for the correction of errors contained in those consolidated financial statements. The effect of these restatement items decreased shareholders' equity cumulatively by $15.3 million as of March 28, 2008, $11.6 million as of June 29, 2007, $7.7 million as of June 30, 2006 and $4.9 million as of July 1, 2005. Division equity, which as reclassified to additional paid-in capital at the merger date of January 26, 2007, decreased from the amount previously reported by $8.3 million. Previously reported net income was decreased by $3.7 million for the three quarters ended March 28, 2008 and net loss was increased by $3.9 million and $2.8 million for the fiscal years ended June 29, 2007 and June 30, 2006, respectively. The restatement had no impact on our net cash flows from operations, financing activities or investing activities.

Previously filed (i) annual consolidated financial statements for the fiscal years ended June 29, 2007, June 30, 2006 and July 1, 2005 included in the Company's Annual Report on Form 10-K ("Form 10-K") for the year ended June 29, 2007, (ii) interim condensed consolidated financial statements for the quarters ended March 28, 2008, December 28, 2007 and September 28, 2007 and (iii) related reports of the Company's independent registered public accountants have been replaced by the fiscal 2007 Form 10-K/A and the Forms 10-Q/A for the quarters ended March 28, 2008, December 28, 2007 and September 28, 2007 filed by the Company on September 25, 2008. Details of the nature of the corrections are as follows:

Inventory

Project costs are accumulated in work in process inventory accounts in our cost accounting systems. As products are shipped or otherwise meet our revenue recognition criteria, these project costs are recorded to cost of sales. Estimates may be required if certain costs have been incurred but not yet invoiced to us. On a routine and periodic basis, we review the work in process balances related to these projects to ensure all appropriate costs have been recorded to cost of sales in a timely manner and in the period to which they relate.

During fiscal 2008, we determined that this review had not been performed in a manner sufficient to identify significant project cost variances remaining in certain inventory accounts, and that the resulting errors impacted prior quarters and prior years. To correct this error, we decreased work in process inventory compared with amounts previously recorded by $14.1 million and $9.6 million as of March 28, 2008 and June 29, 2007, respectively, increased cost of external product sales and services by $4.5 million for the three quarters ended March 28, 2008 and $4.6 million and $2.1 million for the fiscal years ended June 29, 2007 and June 30, 2006, respectively. A $2.9 million increase in the cost of external product sales and services was recorded in fiscal years prior to 2006.

Inventory and Intercompany Account Reconciliations

During the course of the year end close for the fiscal year ending June 27, 2008, we determined that certain account reconciliation adjustments recorded in the fourth quarter of fiscal 2008, which related primarily to inventory and intercompany accounts receivable accounts, should have been recorded in prior quarters or prior years. We determined that certain manual controls had not been performed for certain periods, resulting in accounting errors. More specifically, we identified errors in the work in process inventory balances resulting from incorrect account reconciliation processes. To correct this error, we decreased work in process inventory compared with amounts previously recorded by $2.5 million and $1.9 million as of March 28, 2008 and June 29, 2007, respectively, and increased cost of external product sales by $0.6 million for the three quarters ended March 28,

2008 and $1.4 million and $0.6 million for the fiscal years ended June 29, 2007 and June 30, 2006, respectively. A $0.1 million decrease in the cost of external product sales was recorded in fiscal years prior to 2006.

We also identified errors in accounts receivable balances as a result of control deficiencies in the recording and elimination of intercompany transactions. To correct this error, we decreased accounts receivable compared to amounts previously recorded by $3.1 million and $2.2 million as of March 28, 2008 and June 29, 2007, respectively, and increased selling and administrative expenses by $0.9 million for the three quarters ended March 28, 2008 and $0.1 million for the fiscal year ended June 30, 2006. A $2.1 million increase in selling and administrative expenses was recorded in fiscal fiscal years prior to 2006.

Warranty Liability

Our liability for product warranties contains the estimated accrual for certain technical assistance service provided under our standard warranty policy. We determined that these costs had not been properly included in warranty liability estimates in the balance sheet of Stratex at the date of acquisition. To correct this error, we increased the warranty liability and increased goodwill related to the Stratex acquisition by $1.1 million as of March 28, 2008 and June 29, 2007.

Deferred Tax Liability

Taking into consideration the restatement adjustments described above, we reassessed our income tax provision in accordance with Statement 109. As a result, we decreased the net deferred tax liability balance and increased the income tax benefit by $4.4 million and $2.1 million as of March 28, 2008 and June 29, 2007, respectively. 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. In those periods, our income tax expense for those periods related 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. Thus, there were no changes in our tax provision for periods prior to fiscal 2007.

The following tables present the impact of the restatement adjustments on our previously reported consolidated statements of operations for the three quarters ended March 28, 2008 and fiscal years 2007 and 2006 as well as the impact on the previously reported consolidated balance sheets as of March 28, 2008 and June 29, 2007.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Quarters Ended March 28, 2008		
	As Previously Reported	Adjustments	As Restated
	(In millions, except per share amounts)		
Net revenues from product sales and services	$ 531.6	$ —	$ 531.6
Cost of product sales and services:			
Cost of external product sales	(306.3)	(4.7)	(311.0)
Cost of product sales with Harris Corporation	(4.2)	—	(4.2)
Total cost of product sales	(310.5)	(4.7)	(315.2)
Cost of services	(59.8)	(0.4)	(60.2)
Cost of sales billed from Harris Corporation	(4.6)	—	(4.6)
Amortization of purchased technology	(5.3)	—	(5.3)
Total cost of product sales and services	(380.2)	(5.1)	(385.3)
Gross margin	151.4	(5.1)	146.3
Research and development expenses	(34.8)	—	(34.8)
Selling and administrative expenses	(90.0)	(0.9)	(90.9)
Selling and administrative expenses with Harris Corporation	(5.2)	—	(5.2)
Total research, development, selling and administrative expenses	(130.0)	(0.9)	(130.9)
Acquired in-process research and development	—	—	—
Amortization of identifiable intangible assets	(5.6)	—	(5.6)
Restructuring charges	(8.4)	—	(8.4)
Corporate allocations expense from Harris Corporation	—	—	—
Operating income	7.4	(6.0)	1.4
Interest income	1.4	—	1.4
Interest expense	(2.2)	—	(2.2)
Income before provision for income taxes	6.6	(6.0)	0.6
Provision for income taxes	(1.1)	2.3	1.2
Net income	$ 5.5	$ (3.7)	$ 1.8
Net income (loss) per share of Class A and Class B common stock:			
Basic	$ 0.09	$(0.06)	$ 0.03
Diluted	$ 0.05	$(0.07)	$ (0.02)
Basic weighted average shares outstanding	58.4		58.4
Diluted weighted average shares outstanding	58.9		58.9

Annual Report

	For the Fiscal Year Ended June 29, 2007		
	As Previously Reported	Adjustments	As Restated
	(In millions, except per share amounts)		
Net revenues from product sales and services	$ 507.9	$ —	$ 507.9
Cost of product sales and services:			
Cost of external product sales	(281.2)	(5.1)	(286.3)
Cost of product sales with Harris Corporation	(1.3)	—	(1.3)
Total cost of product sales	(282.5)	(5.1)	(287.6)
Cost of services	(64.3)	(0.9)	(65.2)
Cost of sales billed from Harris Corporation	(5.4)	—	(5.4)
Amortization of purchased technology	(3.0)	—	(3.0)
Total cost of product sales and services	(355.2)	(6.0)	(361.2)
Gross margin	152.7	(6.0)	146.7
Research and development expenses	(39.4)	—	(39.4)
Selling and administrative expenses	(92.1)	—	(92.1)
Selling and administrative expenses with Harris Corporation	(6.8)	—	(6.8)
Total research, development, selling and administrative expenses	(138.3)	—	(138.3)
Acquired in-process research and development	(15.3)	—	(15.3)
Amortization of identifiable intangible assets	(7.5)	—	(7.5)
Restructuring charges	(9.3)	—	(9.3)
Corporate allocations expense from Harris Corporation	(3.7)	—	(3.7)
Operating loss	(21.4)	(6.0)	(27.4)
Interest income	1.8	—	1.8
Interest expense	(2.3)	—	(2.3)
Loss before provision for income taxes	(21.9)	(6.0)	(27.9)
Benefit for income taxes	4.0	2.1	6.1
Net loss	$ (17.9)	$ (3.9)	$ (21.8)
Basic and diluted net loss per common share	$ (0.72)	$(0.16)	$ (0.88)
Basic and diluted weighted average shares outstanding	24.7		24.7

	For the Fiscal Year Ended June 30, 2006		
	As Previously Reported	Adjustments	As Restated
	(In millions, except per share amounts)		
Net revenues from product sales and services	$ 357.5	$ —	$ 357.5
Cost of product sales and services:			
Cost of external product sales	(222.7)	(2.4)	(225.1)
Cost of product sales with Harris Corporation	(7.4)	—	(7.4)
Total cost of product sales	(230.1)	(2.4)	(232.5)
Cost of services	(37.1)	(0.3)	(37.4)
Cost of sales billed from Harris Corporation	(5.3)	—	(5.3)
Amortization of purchased technology	—	—	—
Total cost of product sales and services	(272.5)	(2.7)	(275.2)
Gross margin	85.0	(2.7)	82.3
Research and development expenses	(28.8)	—	(28.8)
Selling and administrative expenses	(62.9)	(0.1)	(63.0)
Selling and administrative expenses with Harris Corporation	(5.6)	—	(5.6)
Total research, development, selling and administrative expenses	(97.3)	(0.1)	(97.4)
Acquired in-process research and development	—	—	—
Amortization of identifiable intangible assets	—	—	—
Restructuring charges	(3.8)	—	(3.8)
Corporate allocations expense from Harris Corporation	(12.4)	—	(12.4)
Operating loss	(28.5)	(2.8)	(31.3)
Interest income	0.5	—	0.5
Interest expense	(1.0)	—	(1.0)
Loss before provision for income taxes	(29.0)	(2.8)	(31.8)
Provision for income taxes	(6.8)	—	(6.8)
Net loss	$ (35.8)	$(2.8)	$ (38.6)
Basic and diluted net loss per common share	N/A		N/A
Basic and diluted weighted average shares outstanding	N/A		N/A

CONDENSED CONSOLIDATED BALANCE SHEETS

	As of March 28, 2008		
	As Previously Reported	Adjustments	As Restated
		(In Millions)	
ASSETS			
Current Assets			
Cash and cash equivalents	$ 97.0	$ —	$ 97.0
Short-term investments and available for sale securities	3.4	—	3.4
Receivables	199.0	(3.1)	195.9
Unbilled costs	35.7	—	35.7
Inventories	125.3	(16.6)	108.7
Deferred income taxes	6.5	—	6.5
Other current assets	17.5	—	17.5
Total current assets	484.4	(19.7)	464.7
Long-Term Assets			
Property, plant and equipment	74.4	—	74.4
Goodwill	315.4	1.1	316.5
Identifiable intangible assets	133.2	—	133.2
Other long-term assets	16.0	—	16.0
	539.0	1.1	540.1
Total assets	$1,023.4	$(18.6)	$1,004.8
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Short-term debt	$ —	$ —	$ —
Current portion of long-term debt	6.0	—	6.0
Accounts payable	81.8	—	81.8
Compensation and benefits	12.5	—	12.5
Other accrued items	44.8	1.1	45.9
Advance payments and unearned income	26.7	—	26.7
Income taxes payable	3.6	—	3.6
Restructuring liabilities	6.7	—	6.7
Current portion of long-term capital lease obligation to Harris Corporation	1.6	—	1.6
Due to Harris Corporation	20.5	—	20.5
Total current liabilities	204.2	1.1	205.3
Long-term liabilities	42.9	(4.4)	38.5
Total liabilities	247.1	(3.3)	243.8
Total shareholders' equity	776.3	(15.3)	761.0
Total liabilities and shareholders' equity	$1,023.4	$(18.6)	$1,004.8

	As of June 29, 2007		
	As Previously Reported	Adjustments	As Restated
		(In Millions)	
ASSETS			
Current Assets			
Cash and cash equivalents	$ 69.2	$ —	$ 69.2
Short-term investments and available for sale securities	20.4	—	20.4
Receivables	185.3	(2.2)	183.1
Unbilled costs	36.9	—	36.9
Inventories	135.7	(11.5)	124.2
Deferred income taxes	4.1	—	4.1
Other current assets	21.7	—	21.7
Total current assets	473.3	(13.7)	459.6
Long-Term Assets			
Property, plant and equipment	80.0	—	80.0
Goodwill	323.6	1.1	324.7
Identifiable intangible assets	144.5	—	144.5
Other long-term assets	16.7	—	16.7
	564.8	1.1	565.9
Total assets	$1,038.1	$(12.6)	$1,025.5
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Short-term debt	$ 1.2	$ —	$ 1.2
Current portion of long-term debt	10.7	—	10.7
Accounts payable	84.7	—	84.7
Compensation and benefits	11.5	—	11.5
Other accrued items	44.7	1.1	45.8
Advance payments and unearned income	22.3	—	22.3
Income taxes payable	6.8	—	6.8
Restructuring liabilities	10.8	—	10.8
Current portion of long-term capital lease obligation to Harris Corporation	3.1	—	3.1
Due to Harris Corporation	17.2	—	17.2
Total current liabilities	213.0	1.1	214.1
Long-term liabilities	67.1	(2.1)	65.0
Total liabilities	280.1	(1.0)	279.1
Total shareholders' equity	758.0	(11.6)	746.4
Total liabilities and shareholders' equity	$1,038.1	$(12.6)	$1,025.5

Acquisition of Stratex Networks, Inc. and Combination with MCD

On January 26, 2007, we completed the Stratex acquisition. Concurrently with the merger of Stratex and Stratex Merger Corp. (the "merger"), Harris contributed MCD, along with $32.1 million in cash (comprised of

$26.9 million contributed on January 26, 2007 and $5.2 million held by our foreign operating subsidiaries on January 26, 2007) to us and we assumed the liabilities (with certain exceptions) of MCD.

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 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. As a result of these transactions, Harris 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 E 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 (Restated), 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 in Item 8 "Financial Statements and Supplementary Data (Restated)."

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.

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

We are 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 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 $98.1 million in cash, cash equivalents, short-term investments and available for sale securities as of June 27, 2008.

Key Indicators

We believe our drivers, when fully implemented, will improve key indicators such as: net income, revenue, gross margin, gross margin percentage, selling and administrative expenses as a percentage of revenue and cash flow from operations.

OPERATIONS REVIEW

Revenue and Net Loss (Restated)

	2008	2007 (Restated)	2008/2007 % Increase/ (Decrease)	2006 (Restated)	2007/2006 % Increase/ (Decrease)
	(In millions, except percentages)				
Revenue	$718.4	$507.9	41.4%	$357.5	42.1%
Net loss	$ (11.9)	$ (21.8)	N/M	$ (38.6)	N/M
% of revenue	(1.7)%	(4.3)%	—	(10.8)%	—

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

Fiscal 2008 Compared with Fiscal 2007 (Restated)

The results of operations in fiscal 2008 include the operations acquired in the Stratex acquisition for the entire year while the results for fiscal 2007 include the results of Stratex since January 26, 2007 or five months. Historically, Stratex derived its revenues primarily from international markets.

Our revenue in fiscal 2008 was $718.4 million, an increase of $210.5 million or 41.4%, compared with fiscal 2007. Revenue in fiscal 2008 included $353.9 million from sales of former Stratex products and services compared with $123.7 million in fiscal 2007. Excluding the impact of the Stratex acquisition, revenue declined $19.7 million, primarily due to a decrease in sales of the former MCD business products and services in the International Microwave segment. The Network Operations segment operating income increased by $0.1 million in fiscal 2008 compared with fiscal 2007.

Our net loss in fiscal 2008 was $11.9 million compared with a net loss of $21.8 million in fiscal 2007. The net loss in fiscal 2008 and fiscal 2007 included the following purchase accounting adjustments and other expenses

related to the acquisition and integration of Stratex, share-based compensation expense and inventory markdowns and impairment from product transitioning:

	Fiscal 2008	Fiscal 2007
	(In millions)	
Write-off of in-process research & development	$ —	$15.3
Cost of integration activities undertaken in connection with the merger	9.3	5.4
Amortization of the fair value adjustments related to fixed assets and inventory	2.8	9.0
Amortization of developed technology	7.1	3.0
Amortization of trade names, customer relationships and non-competition agreements and backlog	6.7	7.5
Restructuring charges	9.3	8.6
Share-based compensation expense	7.8	1.6
Inventory markdowns and impairment from product transitioning	14.7	—
	$57.7	$50.4

During fiscal 2008, we continued the restructuring activities and plans approved in connection with the Stratex acquisition. These restructuring plans included the consolidation of facilities and operations of the predecessor entities in Canada, France, the U.S., China, Brazil and, to a lesser extent, Mexico, New Zealand and the United Kingdom. These restructuring activities were completed during the fourth quarter of fiscal 2008.

During fiscal 2008, we recorded an additional $9.3 million of restructuring charges in connection with implementation of these fiscal 2007 plans. The costs related to reductions in force consisted primarily of retention, severance and other benefits totaling $3.4 million. We also recorded $1.8 million in restructuring charges related to the impairment of a lease, $1.9 million relating to impairment of fixed assets and leasehold improvements and $2.2 million relating to the reduction in fair value of ICMS tax recoverable in Brazil.

These charges to restructuring in fiscal 2008 were partially offset by $0.3 million from the reduction in severance estimated to be paid in France and a $0.3 million reduction in the amount estimated to close out our restructuring liability in connection with our fiscal year 2006 restructuring plan to transfer our Montreal manufacturing activities to our San Antonio, Texas facility.

Fiscal 2007 Compared with Fiscal 2006 (Restated)

Our revenue in fiscal 2007 was $507.9 million, an increase of $150.4 million or 42.1% compared with fiscal 2006, and includes $123.7 million of revenue from the products and services acquired in the Stratex acquisition during 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 segment 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 with 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 segment 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 $21.8 million compared with a net loss of $38.6 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 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 three employees in Mexico City that their employment would be terminated 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 $6.1 million, compared with a tax provision of $6.8 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.

Gross Margin

	2008	2007	2008/2007 % Increase/ (Decrease)	2006	2007/2006 % Increase/ (Decrease)
	(In millions, except percentages)				
Revenue	$718.4	$507.9	41.4%	$357.5	42.1%
Cost of product sales and services	$528.2	$361.2	46.2%	$275.2	31.3%
Gross margin	$190.2	$146.7	29.7%	$ 82.3	78.3%
% of revenue	26.5%	28.9%	—	23.0%	—

Fiscal 2008 Compared with Fiscal 2007

Gross margin in fiscal 2008 was $190.2 million, or 26.5% of revenue, compared with $146.7 million, or 28.9% of revenue in fiscal 2007. Gross margin in fiscal 2008 was reduced by $14.7 million for inventory markdowns and impairment relating to product transitioning, $7.1 million of amortization on developed technology, $0.8 million for amortization of the fair value of adjustments for fixed assets acquired from Stratex, and $1.5 million of merger integration costs. Gross margin in fiscal 2007 was reduced by an $8.3 million write-off of a portion of the fair value adjustments related to inventory and fixed assets, and $3.0 million for amortization of developed technology.

Our gross margin percentage during fiscal 2008 was comparatively lower than the gross margin percentage in fiscal 2007 because of the expenses described above and because our International Microwave segment revenue included a significant amount of the lower-margin, low-capacity version of Eclipse microwave radio sales in fiscal 2008. Gross margin percentage continued to be adversely affected by increased freight and service costs in fiscal 2008.

Fiscal 2007 Compared with Fiscal 2006

Our fiscal 2007 gross margin was $146.7 million, or 28.9% of revenue, compared with $82.3 million, or 23.0% of revenue, in 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.

Research and Development Expenses

	2008	2007	2008/2007 % Increase/ (Decrease)	2006	2007/2006 % Increase/ (Decrease)
	(In millions, except percentages)				
Research and development expenses	$46.1	$39.4	17.0%	$28.8	36.8%
% of revenue	6.4%	7.8%	—	8.1%	—

Fiscal 2008 Compared with Fiscal 2007

Research and development ("R&D") expenses were $46.1 million in fiscal 2008, compared with $39.4 million in fiscal 2007. As a percent of revenue, these expenses decreased from 7.8% in fiscal 2007 to 6.4% in fiscal 2008 due to higher revenue. The majority of the increase in spending in fiscal 2008 compared with fiscal 2007 was attributable to the R&D activities acquired from Stratex. The remainder of the increase was attributable to higher spending in fiscal 2008 related to our TRuepoint 6000 development efforts.

Fiscal 2007 Compared with Fiscal 2006

Research and development expenses were $39.4 million in fiscal 2007, compared with $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 was attributable to the research and development expense related to the Stratex merger. The remainder of the increase was primarily due to higher spending in fiscal 2007 related to our new TRuepoint family of microwave radios.

Selling and Administrative Expenses (Restated)

	2008	2007	2008/2007 % Increase/ (Decrease)	2006	2007/2006 % Increase/ (Decrease)
		(Restated)		(Restated)	
	(In millions, except percentages)				
Selling and administrative expenses	$141.4	$98.9	43.0%	$68.6	44.2%
% of revenue	19.7%	19.5%	—	19.2%	—

Fiscal 2008 Compared with Fiscal 2007 (Restated)

Selling and administrative ("S&A") expenses in fiscal 2008 increased to $141.4 million from $98.9 million in fiscal 2007. As a percentage of revenue, these expenses increased from 19.5% of revenue in fiscal 2007 to 19.7% of revenue in fiscal 2008. This increase was partially offset by a $3.3 million gain on the change in fair value of warrants classified in S&A expenses compared with a $0.6 million gain in fiscal 2007. S&A expenses also increased as a result of the increase in revenue. The majority of the increase in spending in fiscal 2008 compared with fiscal 2007 was attributable to the S&A expenses associated with the former Stratex business. The remainder of the increase was due to higher selling expenses associated with the increase in revenue, and increased costs incurred for compliance with Sarbanes-Oxley requirements for review and attestation of internal control over financial reporting.

Fiscal 2007 Compared with Fiscal 2006 (Restated)

Our fiscal 2007 selling and administrative expenses increased to $98.9 million from $68.6 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 was 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 was due to higher selling expenses resulting from the increase in revenue.

Other Operating Expenses and Charges

During fiscal 2008, Harris Stratex continued its restructuring activities implemented within the merger restructuring plans approved in connection with the January 26, 2007 merger between the Microwave Communications Division of Harris Corporation and Stratex Networks, Inc. These restructuring plans included the consolidation of facilities and operations of the predecessor entities in Canada, France, the U.S., China, Brazil and, to a lesser extent, Mexico, New Zealand and the United Kingdom.

During fiscal 2008, we recorded an additional $9.3 million of restructuring charges in connection with the implementation of these fiscal 2007 plans. These fiscal 2008 additional charges consist of:

Severance, retention and related charges associated with reduction in force activities totaling $3.4 million ($4.0 in fiscal 2008 charges, less $0.6 million for a reduction in the restructuring liability recorded for Canada and France as of June 29, 2007).

Lease impairment charges totaling $1.8 from implementation of fiscal 2007 plans and changes in estimates related to sub-tenant activity at our U.S. and Canadian locations.

Impairment of fixed assets and leasehold improvements totaling $1.9 million at our Canadian location.

Impairment of a recoverable value-added type tax in Brazil totaling $2.2 million resulting from our scaled down operations and reduced activity which negatively affected the fair value of this recoverable asset (included in "Other current assets" on our consolidated balance sheets).

During the third quarter of fiscal 2007, in connection with the Stratex acquisition on January 26, 2007, 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. Those charges related to building lease obligations at four of Stratex' U.S. facilities. During fiscal 2008, we made payments of $4.8 million on these leases, which reduced the liability by $4.1 million, net of $0.7 million in interest expense. Also during fiscal 2008, new information became available with regard to our utilization of the space under these building lease obligations and we reduced our restructuring liability by $1.1 million with an offsetting decrease to goodwill under purchase accounting. Subsequent to the one-year window under purchase accounting, we updated our estimate of the utilization of this space under these lease obligations and increased the liability by $0.5 million with an increase to restructuring 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 $3.8 million, $2.3 million of which related to employee severance benefits, and $1.5 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.

We do not anticipate any additional restructuring charges under our fiscal year 2007 restructuring plans. The following table summarizes the costs incurred for our fiscal 2007 restructuring plans:

	Total Costs Incurred through June 29, 2007	Total Costs Incurred During the Fiscal Year Ended June 27, 2008	Cumulative Costs Incurred through June 27, 2008
		(In millions)	
North America Microwave:			
Severance and benefits	$5.1	$3.0	$ 8.1
Facilities and other	—	3.7	3.7
Total North America Microwave	$5.1	$6.7	$11.8
International Microwave:			
Severance and benefits	$4.2	$0.4	$ 4.6
Facilities and other	—	2.2	2.2
Total International Microwave	$4.2	$2.6	$ 6.8
Totals	$9.3	$9.3	$18.6

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.

Income Taxes (Restated)

	2008	2007	2008/2007 % Increase/ (Decrease)	2006	2007/2006 % Increase/ (Decrease)
		(Restated)		(Restated)	
		(In millions, except percentages)			
Loss before income taxes	$(13.9)	$(27.9)	(50.2)%	$(31.8)	(12.3)%
Income tax benefit (expense)	$ 2.0	$ 6.1	N/M	$ (6.8)	N/M
% of loss before income taxes	14.4%	21.9%	—	(21.4)%	—

The income tax benefit of $2.0 million in fiscal 2008 reflected our pre-tax loss based on our estimated annual effective tax rate. The variation between income taxes and income tax benefit at the statutory rate of 35% was primarily due to the consolidation of our foreign operations, which are subject to income taxes at lower statutory rates.

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.

At June 27, 2008, we had $8.0 million of federal alternative minimum tax ("AMT") credit carryforwards, which do not expire. We also had net operating loss carryforwards of approximately $198.5 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 $6.9 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. In those periods, our income tax expense for those periods related 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. Thus, there were no changes in our tax provision for periods prior to fiscal 2007.

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 those services were billed to us primarily based on actual usage. On January 26, 2007, we entered into a Transition Services Agreement with Harris to provide for certain services during the periods subsequent to the Stratex acquisition. These services also 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 fiscal 2008, 2007 and 2006, Harris charged us $7.0 million, $6.8 million and $5.6 million for these services.

We have sales to, and purchases from, other Harris entities from time to time. Prior to January 26, 2007, 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 January 26, 2007, these purchases and sales are recorded at market price. Our sales to other Harris entities were $3.5 million, $1.9 million and $6.5 million in fiscal 2008, 2007 and 2006. We also recognized costs associated with related party purchases from Harris of $6.1 million, $6.7 million and $12.7 million for fiscal 2008, 2007 and 2006.

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

Additionally, through the date of the Stratex acquisition, Harris loaned cash to us to fund our international entities, and we distributed excess cash 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 in fiscal 2007 and 2006 was not significant.

The unpaid amounts billed from Harris are included within "Due to Harris Corporation" on our 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 our Consolidated Balance Sheets. Total receivables from Harris were $4.0 million and $0.7 million as of June 27, 2008 and June 29, 2007. Total payables to Harris were $20.8 million and $17.9 million as of June 27, 2008 and June 29, 2007.

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 five-year lease agreement to accommodate this use. This agreement is a capital lease under generally accepted accounting principles. As of June 27, 2008, our lease obligation to Harris was $2.6 million of which $1.3 million is a current liability and the related asset amount, net of accumulated amortization of $2.1 million, is included in 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.

During the first quarter of fiscal 2008, we recognized an impairment charge of $1.3 million on a portion of these assets which is included in our restructuring charges. We also recognized an increase of $0.4 million to the lease obligation balance during fiscal 2008 from a recapitalization under the lease terms, primarily because of the impairment charge discussed above and a rescheduling of the lease payments. During fiscal 2008, we paid Harris $3.8 million under this capital lease obligation resulting from the $1.3 million impairment discussed above and the lease payments. Our amortization expense on this capital lease was $1.8 million and $0.8 million in fiscal 2008 and fiscal 2007. As of June 27, 2008, the future minimum payments for this lease are $1.4 million for fiscal 2009, $0.8 million for fiscal 2010, $0.5 million for fiscal 2011 and, $0.2 million for fiscal 2012.

Discussion of Business Segments

North America Microwave Segment (Restated)

	2008	2007	2008/2007 % Increase/ (Decrease)	2006	2007/2006 % Increase/ (Decrease)
		(Restated)		(Restated)	
	(In millions, except percentages)				
Revenue	$232.4	$216.3	7.4%	$168.1	28.7%
Segment operating income	$ (9.4)	$ 6.3	N/M	$ 14.8	(57.4)%
% of revenue	(4.0)%	2.9%	—	8.8%	—

Fiscal 2008 Compared with Fiscal 2007 (Restated)

North America Microwave segment revenue increased by $16.1 million, or 7.4%, in fiscal 2008 compared with fiscal 2007. Revenue in fiscal 2008 and fiscal 2007 included $25.5 million and $7.7 million from sales of former Stratex products and services. Revenue drivers in the North America Microwave segment included customer demand for increased bandwidth, footprint expansion and the relocation of advanced wireless services to the 2 gigahertz spectrum by mobile operators.

The North America Microwave fiscal 2008 operating loss was increased by the following amounts related to the acquisition of Stratex: $1.1 million for amortization of the fair value adjustments for fixed assets, $2.7 million for amortization of developed technology, trade names, customer relationships, and non-compete agreements, $4.9 million of restructuring charges, $1.8 million for impairment of a lease agreement and $3.2 million of integration expenses undertaken in connection with the merger including the reduction in force at our Montreal facility. The North America Microwave segment fiscal 2008 operating loss was further increased by $12.9 million of inventory markdowns and impairment from product transitioning, as discussed above.

Operating income for this segment in fiscal 2007 was reduced by the following amounts related to the acquisition of Stratex: a $0.4 million write-off of a portion of the fair value adjustments for fixed assets, $1.4 million for amortization of developed technology, tradenames, customer relationships and non-compete agreements, and $7.8 million of charges related principally to restructuring and integration activities undertaken in connection with the merger.

The North America Microwave segment operating results also included $7.4 million in share-based compensation expense during fiscal 2008 compared with $5.7 million in fiscal 2007.

Fiscal 2007 Compared with Fiscal 2006 (Restated)

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 reflected increased demand for our products driven primarily by mobile operators that were 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 for amortization of developed technology, trade names, customer relationships, and non-compete agreements, $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 with fiscal 2006.

International Microwave Segment (Restated)

	2008	2007	2008/2007 % Increase/ (Decrease)	2006	2007/2006 % Increase/ (Decrease)
		(Restated)		(Restated)	
		(In millions, except percentages)			
Revenue	$461.7	$272.2	69.6%	$172.3	58.0%
Segment operating loss	$ (5.7)	$ (31.3)	N/M	(34.8)	N/M
% of revenue	(1.2)%	(11.5)%	—	(20.2)%	—

Fiscal 2008 Compared with Fiscal 2007 (Restated)

International Microwave segment revenue increased by $189.5 million or 69.6% in fiscal 2008 compared with fiscal 2007. Revenue in fiscal 2008 and fiscal 2007 included $328.4 million and $116.0 million from sales of former Stratex products and services. Excluding the impact of the revenue from Stratex products and services, our International Microwave segment revenue decreased by $22.9 million because of our transition to selling the former Stratex products.

Our International Microwave segment had an operating loss of $5.7 million in fiscal 2008 compared with an operating loss of $31.3 million in fiscal 2007. The operating income in fiscal 2008 reflected the following charges related to the acquisition of Stratex: $1.7 million for amortization of the fair value adjustments for fixed assets, $11.9 million for amortization of developed technology, tradenames, customer relationships, contract backlog and non-compete agreements, $2.6 million of restructuring charges and $6.1 million of integration expenses associated with the merger. Our fiscal 2008 segment operating loss was further increased by $1.8 million of inventory markdowns. Finally, we absorbed a significant increase in freight and service costs during fiscal 2008.

The operating loss in fiscal 2007 was increased by the following amounts related to the acquisition of Stratex: a $15.3 million write-off of in-process research and development, $8.6 million for amortization of the fair value adjustments for inventory and fixed assets, $9.1 million for amortization of developed technology, tradenames, customer relationships, contract backlog and non-compete agreements, and $7.8 million of charges related principally to restructuring and integration activities undertaken in connection with the merger.

We also recorded $0.4 million in share-based compensation expense in fiscal 2008 in our International Microwave segment compared with none in fiscal 2007.

Fiscal 2007 Compared with Fiscal 2006 (Restated)

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 $16.0 million.

This segment had an operating loss of $31.3 million for fiscal 2007 compared with an operating loss of $34.8 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, $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 with fiscal 2006.

Network Operations Segment

	2008	2007	2008/2007 % Increase/ (Decrease)	2006	2007/2006 % Increase/ (Decrease)
	(In millions, except percentages)				
Revenue	$24.3	$19.4	25.2%	$17.1	13.5%
Segment operating income	$ 1.4	$ 1.3	7.7%	$ 1.1	18.2%
% of revenue	5.8%	6.7%	—	6.4%	—

Fiscal 2008 Compared with Fiscal 2007

Network Operations segment revenue increased by 25.2% in fiscal 2008 compared with fiscal 2007. This segment had operating income of $1.4 million in fiscal 2008 compared with operating income of $1.3 million in fiscal 2007. Operating income as a percentage of sales decreased to 5.8% in fiscal 2008 compared with 6.7% in fiscal 2007 however. The increase in revenue resulted primarily from an increase in software and license revenue in fiscal 2008 because of increased demand for our service assurance solution with next generation network customers as a result of new features and functionality in our product offerings. The increase in operating income during fiscal 2008 was driven by product mix including an increase in higher margin software and license revenue and a decrease in S&A expenses as a percentage of revenue.

Fiscal 2007 Compared with 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 with 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 with 6.4% in fiscal 2006. The increase in revenue resulted primarily from an increase in maintenance and services revenue in fiscal 2007 compared with 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 with fiscal 2006.

Liquidity, Capital Resources and Financial Strategies

Cash Flows

	Fiscal Years Ended		
	2008	2007	2006
	(In millions)		
Net cash provided by (used in) operating activities	$ 40.0	$(13.1)	$19.5
Net cash (used in) provided by investing activities	(2.1)	14.3	(8.2)
Net cash (used in) provided by financing activities	(13.4)	57.3	(5.8)
Effect of foreign exchange rate changes on cash	1.3	(3.1)	0.5
Net increase in cash and cash equivalents	$ 25.8	$ 55.4	$ 6.0

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 $25.8 million to $95.0 million during fiscal 2008. We generated $40.0 million in cash flow from operations, $26.6 million in cash and cash equivalents from the sale of short-term investments and realized proceeds from the exercise of stock options of $1.5 million. These increases to cash and cash equivalents were partially offset by our purchase of short-term investments totaling $9.2 million, $9.2 million in purchases of property, plant and equipment, $10.3 million in additions to capitalized software, the repayment of $1.2 million in short-term debt and principal payments of $10.7 million on long-term debt.

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.

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.

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 Provided by (Used in) Operating Activities (Restated)

Our net cash and cash equivalents provided by operating activities was $40.0 million during fiscal 2008 compared with $13.1 million used in operating activities during fiscal 2007. Operating cash flow in fiscal 2008 benefited from a $15.9 decrease in unbilled costs and inventories, increases in accounts payable and accrued expenses ($1.3 million) and an increase in advance payments and unearned income ($7.8 million). These increases to operating cash flow were partially offset by an increase of $13.7 million in receivables and a $3.8 million decrease of restructuring liabilities and other during fiscal 2008.

Our net cash used in operating activities was $13.1 million in fiscal 2007 compared with $19.5 million cash provided by operating activities in fiscal 2006. Operating cash flow was reduced by 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 fiscal 2008.

Net Cash (Used in) Provided by Investing Activities

Our net cash used in investing activities was $2.1 million during fiscal 2008 compared with $14.3 million provided by investing activities during fiscal 2007. Net cash used in investing activities during fiscal 2008 was $9.2 million in purchases of short-term investments, $10.3 million of additions of capitalized software primarily for the purchase and implementation of new enterprise-wide information systems and $9.2 million of additions of property, plant and equipment. These uses of cash in investing activities during fiscal 2008 were partially offset by the receipt of $26.6 million in proceeds from the sale and maturity of short-term investments and available for sale securities.

Our net cash provided by investing activities was $14.3 million in fiscal 2007 compared with $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 2009 are expected to be in the $25 million to $28 million range. We expect that funding for these additions will be available from cash flow provided by operations and, if necessary, our new credit facility.

Net Cash (Used in) Provided by Financing Activities

Our net cash used in financing activities during fiscal 2008 was $13.4 million compared with $57.3 million provided by financing activities during fiscal 2007. The net cash used in financing activities during fiscal 2008 was for the repayment of $1.2 million in short-term debt, payment of $3.7 million on our capital lease obligation to Harris and $10.7 million in principal payments on long-term debt. We received $1.5 million in proceeds from the exercise of former Stratex stock options during fiscal 2008.

Our net cash provided by financing activities in fiscal 2007 was $57.3 million compared with $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.

Sources of Cash

As of June 27, 2008, our principal sources of liquidity consisted of $98.1 million in cash, cash equivalents, short-term investments and available for sale securities and $32.6 million of available credit under our $50 million credit facility.

Available Credit Facility and Repayment of Debt

As of June 27, 2008, we had $32.6 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 was $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 $8.8 million as of June 27, 2008 and there were $8.6 million outstanding in standby letters of credit as of that date, which were 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 27, 2008. On June 30, 2008, this facility was terminated and replaced with a new revolving credit facility (the "New Facility") for an initial committed amount of $70 million, and the amount of available credit was $60 million. As of that date, we repaid $8.8 million in long-term debt outstanding with the proceeds of a $10 million short-term borrowing under the New Facility.

The commitment under the New Facility is currently divided equally between Silicon Valley Bank and Bank of America, with each providing $35 million. The initial term of the New Facility is 3 years and provides for (1) demand borrowings at the greater of Bank of America's prime rate and the Federal Funds rate plus 0.5%, (2) fixed term Eurodollar loans for six months or more as agreed with the banks at LIBOR plus a spread of between 1.25% to 2.00% based on the company's current leverage ratio and (3) the issuance of standby or commercial letters of credit. The New Facility contains a minimum liquidity ratio covenant and a maximum leverage ratio covenant and is unsecured.

Our debt consisted of the following as of June 27, 2008 and June 29, 2007:

	June 27, 2008	June 29, 2007
	(In millions)	
Credit Facility with Bank:		
Term Loan A	$ 0.0	$ 5.7
Term Loan B	8.8	13.8
Other short-term notes	0.0	1.2
Total	8.8	20.7
Less current portion and short-term notes	(5.0)	(11.9)
Long-term debt	$ 3.8	$ 8.8

Term Loan A of the credit facility required monthly principal payments of $0.5 million plus interest at a fixed rate of 6.38% through May 2008. This loan was repaid in full, including all accrued interest, in June 2008. Term Loan B required monthly principal payments of $0.4 million plus interest at a fixed rate of 7.25% through March 2010. This loan was also repaid in full, including all accrued interest, on June 30, 2008 with the proceeds of a $10 million short-term borrowing under the new credit facility mentioned above.

At June 27, 2008, our future debt principal payment obligations were as follows:

	Years Ending in June
	(In millions)
2009	$5.0
2010	3.8
Total	$8.8

As mentioned above, the total debt obligation of $8.8 million outstanding as of June 27, 2008 was repaid in full with the proceeds of a $10 million short-term borrowing under the new credit facility on June 30, 2008.

Based on covenants included as part of the credit facility as of June 27, 2008, we must 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 were also must 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 27, 2008, we were in compliance with these financial covenants.

Restructuring and Payments

We have a liability for restructuring activities totaling $10.3 million as of June 27, 2008, of which $5.1 million is classified as a current liability and expected to be paid out in cash over the next year. We expect to fund these future payments with cash flow provided by operations, and, if necessary, our new credit facility.

Contractual Obligations

At June 27, 2008, 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	2009	2010 and 2011	2012 and 2013	After 2013
			(In millions)		
Long-term debt	$ 8.8	$ 5.0	$ 3.8	$ —	$ —
Interest on long-term debt	0.6	0.5	0.1	—	—
Purchase obligations(1)	23.2	23.2	—	—	—
Operating lease commitments	22.6	9.7	12.2	0.7	—
Amounts due to Harris Corporation	16.8	16.8	—	—	—
Capital lease obligation to Harris Corporation(5)	2.9	1.4	1.3	0.2	—
Restructuring and severance liabilities	15.1	7.6	7.2	0.3	—
Redeemable preference shares(2)	8.3	—	—	—	8.3
Dividend requirements on redeemable preference shares(3)	8.6	1.0	2.0	2.0	3.6
Current liabilities on the balance sheet(4)	142.7	142.7	—	—	—
Total contractual cash obligations	$249.6	$207.9	$26.6	$3.2	$11.9

(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 27, 2008.

(3) The dividend rate is 12% and assumes no redemptions for five years from June 27, 2008.

(4) Includes short-term debt, accounts payable, liabilities for compensation, benefits, other accrued items and income taxes payable.

(5) Includes interest portion of expected payments.

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 27, 2008, 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 27, 2008, 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	2009	2010	2011	After 2012
	(In millions)				
Standby letters of credit used for:					
Bids	$ 3.5	$ 3.5	$ —	$ —	$ —
Down payments	4.0	3.9	—	—	0.1
Performance	7.1	5.5	0.7	0.9	—
Warranty	0.1	0.1	—	—	—
	14.7	13.0	0.7	0.9	0.1
Surety bonds used for:					
Bids	1.0	1.0	—	—	—
Performance	34.8	33.5	1.3	—	—
	35.8	34.5	1.3	—	—
Guarantees	—	—	—	—	—
Total commitments	$50.5	$47.5	$2.0	$0.9	$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 27, 2008, we had open foreign exchange contracts with a notional amount of $80.4 million, of which $19.2 million were designated as hedges under Statement of Financial Accounting Standards No. 133 “Accounting for Derivative Instruments and Hedging Activities” (“Statement 133”) and $61.2 million were not designated as Statement 133 hedges. That compares to total foreign exchange contracts with a notional amount of $52.5 million as of June 29, 2007, of which $15.1 million were designated as Statement 133 hedges and $37.4 million were not designated as Statement 133 hedges. As of June 27, 2008, 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 27, 2008, we estimated that a pre-tax loss of less than $0.3 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 2008, 2007 and 2006 representing the amount of fair value and cash flow hedges' ineffectiveness was not material. No amounts were recognized in our earnings in fiscal 2008, 2007 or 2006 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. 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 $98.1 million in cash, cash equivalents, short-term investments and available for sale securities as of June 27, 2008. Short-term investments and available for sale securities totaled $3.1 million as of June 27, 2008. As of June 27, 2008, short-term investments and available for sale securities had contractual maturities ranging from 1 month to 12 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 27, 2008 was 16 days, and these investments had an average yield of 2.8% per annum.

As of June 27, 2008, 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 Harris Stratex $50 million revolving credit facility terminated as of June 30, 2008 were at an interest rate of the bank's prime rate, or the London Interbank Offered Rate ("LIBOR") plus 2%. As of June 27, 2008, we had $32.6 million of available credit. A hypothetical 10% change in interest rates would not have had a material impact on our financial position, results of operations or cash flows since interest on our long-term debt as of that date was at a fixed rate and there were no short-term borrowings outstanding. Under the new $70 million credit facility effective June 30, 2008, borrowings will be at an interest rate of the bank's prime rate or at LIBOR plus 1.25%. We had $10 million in short-term borrowings under the new facility as of June 30, 2008 with an initial interest rate at the bank's prime rate of 5%. A 10% change in interest rates on the current borrowings or on future borrowings are not expected to have a material impact on our financial position, results of operations or cash flows since interest on our short-term debt is not material to our overall financial position.

Impact of Foreign Exchange

Approximately 22% of our international business was transacted in non U.S. dollar currency environments in fiscal 2008. The impact of translating the assets and liabilities of foreign operations to U.S. dollars is included as a component of shareholders' equity. As of June 27, 2008, the cumulative translation adjustment increased shareholders' equity by $4.1 million compared with an increase of less than $0.1 million as of June 29, 2007. 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 2008, 2007 or 2006.

Seasonality

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

Critical Accounting Policies and Use of Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates, judgments or assumptions and actual results, our financial statements will be affected. The accounting policies that reflect our more significant estimates, judgments and assumptions and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

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

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

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, our assessment of current factors impacting the estimates 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

We generate substantially all of our revenue from the sales or licensing of our: (i) microwave radio systems, (ii) network management software, (iii) professional services including installation and commissioning and training, and (iv) warranty-related support (i.e. telephone support and repair and return for defective products). Principal customers for our products and services include domestic and international wireless/mobile service providers, original equipment manufacturers, distributors, system integrators, as well as private network users such as public safety agencies, government institutions, and utility, pipeline, railroad and other industrial enterprises that operate broadband wireless networks. Our customers generally purchase a combination of our products and services as part of a multiple element arrangement.

We often enter into multiple contractual agreements with the same customer. Such agreements are reviewed to determine whether they should be evaluated as one arrangement in accordance with AICPA Technical Practical Aid 5100.39, "Software Revenue Recognition for Multiple-Element Arrangements." 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.

Our assessment of which revenue recognition guidance is appropriate to account for each element in an arrangement can involve significant judgment. The determination of whether software is more than incidental to hardware can impact whether the product is accounted for under AICPA Statement of Position 97-2, "Software Revenue Recognition" ("SOP 97-2") or SEC Staff Accounting Bulletin 104, "Revenue Recognition" ("SAB 104").

Revenue from product sales where any software is considered incidental (other than for long-term contracts) and services, are recognized in accordance with SAB No. 104, when persuasive evidence of an arrangement exists, delivery has occurred and title and risk of loss has transferred or services have been rendered, the fee is fixed or determinable and collectibility is reasonably assured.

Revenue recognition related to long-term contracts for customized network solutions are recognized using the percentage-of-completion method in accordance with AICPA Statement of Position 81-1 "Accounting for Performance of Construction-Type and Certain Production-Type Contracts" ("SOP 81-1"). In using the percentage-of-completion method, we generally apply the cost-to-cost method of accounting where sales and profits are recorded based on the ratio of costs incurred to estimated total costs at completion. Contracts are combined when specific aggregation criteria stated in SOP 81-1 are met. Recognition of profit on long-term contracts requires estimates of: the total contract value; the total cost at completion; and the measurement of progress towards completion. Significant judgment is required when estimating total contract costs and progress to completion on the arrangements as well as whether a loss is expected to be incurred on the contract. Amounts representing contract change orders, claims or other items are included in sales only when they can be reliably estimated and realization is probable. When adjustments in contract value or estimated costs are determined, any changes from prior estimates are reflected in earnings in the current period. Anticipated losses on contracts or programs in progress are charged to earnings when identified.

Revenue recognition for the sale of software licenses is in accordance with SOP 97-2. For arrangements under SOP 97-2, the entire fee from the arrangement must be allocated to each of the elements based on the individual element's fair value, which must be based on vendor specific objective evidence of the fair value ("VSOE"). If VSOE cannot be established for the undelivered elements of an arrangement, we defer revenue until the earlier of (i) delivery, or (ii) fair value of the undelivered element exists, unless the undelivered element is a service, in which the entire arrangement fee is recognized ratably over the period during which the services are expected to be performed.

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

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 27, 2008, our reserve for excess and obsolete inventory was $35.6 million, or 27.6% of the gross inventory balance, which compares to a reserve of $14.2 million, or 10.3% (restated) of the gross inventory balance as of June 29, 2007.

Goodwill and Intangible Assets (Restated)

We review goodwill for impairment annually and whenever events or changes in circumstances indicate its carrying value may not be recoverable in accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (Statement 142"). The provisions of Statement 142 require that a two-step impairment test be performed on goodwill. In the first step, we compare the fair value of each reporting unit to its carrying value. Our reporting units are consistent with the reportable segments identified in Note Q of the Notes to Consolidated Financial Statements. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is considered not impaired and we are not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then we

must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then we would record an impairment loss equal to the difference.

Determining the fair value of a reporting unit involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions and determination of appropriate market comparables. We base our fair value estimates on assumptions we believe to be reasonable, but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates. In addition, we make certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for each of our reporting units. Our most recent annual goodwill impairment analysis, which was performed during the fourth quarter of fiscal 2008, did not result in an impairment charge.

Under the provision of 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 27, 2008, with no adjustment to the carrying value of goodwill. Goodwill on our consolidated balance sheet as of June 27, 2008 and June 29, 2007 was $284.2 million and $324.7 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 our reporting units would lead to further tests for impairment as described above.

Income Taxes and Tax Valuation Allowances (Restated)

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 27, 2008 includes a current deferred tax asset of $12.6 million, a non-current deferred income tax asset of $13.7 million and a non-current deferred tax liability of $3.7 million. This compares to a net current deferred tax asset of $4.1 million as of June 29, 2007, and a non-current deferred liability

of $29.4 million. 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 $116.9 million as of June 27, 2008 and $96.9 million as of June 29, 2007. The increase in valuation allowance from fiscal 2007 to fiscal 2008 is primarily due to our establishing a valuation allowance on the deferred tax assets acquired in the merger and subsequently generated tax attributes. 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.

United States income taxes have not been provided on undistributed earnings of foreign subsidiaries of $73.1 million and $6.4 million as of June 27, 2008 and June 29, 2007 because of our intention to reinvest these earnings indefinitely. The determination of unrecognized deferred U.S. tax liability for foreign subsidiaries is not practicable. Tax loss and credit carryforwards as of June 27, 2008 have expiration dates ranging between one year and no expiration in certain instances. The amount of U.S. tax loss carryforwards as of June 27, 2008 and June 29, 2007 was $198.5 million and $108.0 million. Credit carryforwards as of June 27, 2008 and June 29, 2007 was $24.8 million and $20.8 million. The amount of foreign tax loss carryforwards for June 27, 2008 and June 29, 2007 was $40.2 million and $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 as a result of a change of ownership. Income taxes paid were $2.2 million and $6.6 million for the year ended June 27, 2008 and the year ended June 29, 2007.

The effective tax rate in the fiscal year ended June 27, 2008 was impacted unfavorably by a valuation allowance recorded on certain deferred tax assets, certain purchase accounting adjustments and foreign tax credits where it was determined it was not more likely than not that the assets would be realized. The net change in the valuation allowance during the year ended June 27, 2008 was an increase of $15.7 million.

For the period ending June 29, 2007, a net deferred tax liability in the amount of $40.8 million was recognized in accordance with Statement 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, a valuation allowance under purchase accounting on of $94.0 million of acquired deferred tax assets was recorded on the opening balance sheet. A valuation allowance was recorded because it was determined it was not more likely than not that the assets would be realized. Any realization of these deferred tax assets in the future would be reflected as a reduction to goodwill. During the year ended June 27, 2008, deferred tax assets in the amount of $30.7 million were realized as a reduction to this goodwill. Accordingly, the valuation allowance was reduced by the same amount. The portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be allocated to reduce goodwill is $63.3 million as of June 27, 2008.

We established our International Headquarters in Singapore and received a favorable tax ruling resulting from an application filed by us with the Singapore Economic Development Board ("EDB") effective January 26, 2007. This favorable tax ruling calls for a 10% effective tax rate to be applied over a five year period provided certain milestones and objectives are met. We are confident we will meet all the requirements as outlined by EDB.

We entered into a tax sharing agreement with Harris Corporation effective on January 26, 2007, the date of the merger. The tax sharing agreement addresses, among other things, the settlement process associated with pre-merger tax liabilities and tax attributes that are attributable to the MCD business when it was a division of Harris Corporation. There were no settlement payments recorded in the fiscal years ended June 27, 2008 or 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 Financial Accounting Standards Board Interpretation No. 48 "Accounting for Uncertainties in Income Taxes."

As of June 27, 2008 and June 30, 2007, we had a liability for unrecognized tax benefits of $29.6 million and $28.0 million for various federal, foreign, and state income tax matters. Unrecognized tax benefits increased by $1.6 million, a majority of which was recorded as an increase to the unrecognized benefit related to the amortization of intellectual property in Singapore. If the unrecognized tax benefits associated with these positions are ultimately recognized, they would not have a material impact on our effective tax rate or financial position.

We account for interest and penalties related to unrecognized tax benefits as part of our provision for federal, foreign, and state income tax expenses. We accrued an additional amount for such interest of less than $0.1 million in the year ended June 27, 2008. No penalties have been accrued. The Company accrued less than $0.1 million as of June 29, 2007 for the payment of any such interest.

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

We have a number of years with open tax audits which vary from jurisdiction to jurisdiction. Our major tax jurisdictions include the U.S., Nigeria, Singapore, New Zealand, Poland, South Africa, France, and the UK. The earliest years still open and subject to ongoing audits for purposes of FIN 48 for these jurisdictions are as follows: (i) United States (Federal/State) — 2004/2003; (ii) Nigeria — 2003; (iii) Singapore — 2000; (iv) New Zealand — 2003; (v) Poland — 2003; (vi) South Africa — 2001; (vii) France — 2005; and (viii) UK — 2006.

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.

FORWARD-LOOKING STATEMENTS AND FACTORS THAT MAY AFFECT FUTURE RESULTS

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. See "Item 1A. Risk Factors" above in this Annual Report on Form 10-K for more information regarding factors that might cause our results to differ materially from those expressed or implied by the forward-looking statements contained in this Annual Report on Form 10-K.

- the impact of unanticipated changes in the volume, timing and customer, product and geographic mix of our product orders on our operating results;
- the failure to obtain and retain expected cost synergies from the merger;
- continued price erosion as a result of increased competition in the microwave transmission industry;
- the ability to achieve business plans for Harris Stratex;
- the ability to manage and maintain key customer relationships;
- the effect of technological changes on Harris Stratex's businesses;
- the ability to maintain projected product rollouts, product functionality, anticipated cost reductions or market acceptance of planned products;
- the ability to successfully integrate the operations, personnel and businesses of the former Stratex Networks, Inc. with those of the former Microwave Communications Division of Harris Corporation;
- the ability of our subcontractors to perform or our key suppliers to manufacture or deliver material;
- customers may not pay for products or services in a timely manner, or at all;
- the failure of Harris Stratex to protect its intellectual property rights and its ability to defend itself against intellectual property infringement claims by others;

- currency and interest rate risks;
- the impact of political, economic and geographic risks on international sales;
- the impact of slowing growth in the wireless telecommunications market combined with supplier and operator consolidations; and
- supplier pricing pressure.

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 (Restated)," which is incorporated by reference into this Item 7A.

Item 8. ***Financial Statements and Supplementary Data (Restated).***

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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 27, 2008 and June 29, 2007, and the related consolidated statements of operations, shareholders' equity and comprehensive loss, and cash flows for each of the three years in the period ended June 27, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Harris Stratex Networks, Inc. and subsidiaries at June 27, 2008 and June 29, 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 27, 2008, 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 for therein.

As described in Note D, Harris Stratex Networks, Inc. has previously restated its consolidated financial statements as of June 29, 2007, and for each of the three years in the period then ended, to correct the accounting for inventory, accounts receivable, product warranties, and income taxes.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Harris Stratex Networks, Inc.'s internal control over financial reporting as of June 27, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 12, 2008 expressed an adverse opinion thereon.

\s\ Ernst & Young LLP

Raleigh, North Carolina
September 12, 2008

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Harris Stratex Networks, Inc.

We have audited Harris Stratex Networks, Inc.'s internal control over financial reporting as of June 27, 2008, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Harris Stratex Networks, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment. Management has identified material weaknesses in controls related to project cost variances in certain inventory accounts and account reconciliations that resulted in restatement of previously reported annual and interim financial statements. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the fiscal 2008 financial statements, and this report does not affect our report dated September 12, 2008 on those financial statements.

In our opinion, because of the effect of the material weaknesses described above on the achievement of the objectives of the control criteria, Harris Stratex Networks, Inc. has not maintained effective internal control over financial reporting as of June 27, 2008, based on the COSO criteria.

\s\ Ernst & Young LLP

Raleigh, North Carolina
September 12, 2008

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Years Ended		
	June 27, 2008	June 29, 2007 (Restated)	June 30, 2006 (Restated)
	(In millions, except per share amounts)		
Revenue from product sales and services:			
Revenue from external product sales	$ 591.7	$ 409.1	$ 299.1
Revenue from product sales with Harris Corporation	3.5	1.9	6.5
Total revenue from product sales	595.2	411.0	305.6
Revenue from services	123.2	96.9	51.9
Total revenue from product sales and services	718.4	507.9	357.5
Cost of product sales and services:			
Cost of external product sales	(427.1)	(286.3)	(225.1)
Cost of product sales with Harris Corporation	(1.3)	(1.3)	(7.4)
Total cost of product sales	(428.4)	(287.6)	(232.5)
Cost of services	(87.9)	(65.2)	(37.4)
Cost of sales billed from Harris Corporation	(4.8)	(5.4)	(5.3)
Amortization of purchased technology	(7.1)	(3.0)	—
Total cost of product sales and services	(528.2)	(361.2)	(275.2)
Gross margin	190.2	146.7	82.3
Research and development expenses	(46.1)	(39.4)	(28.8)
Selling and administrative expenses	(134.4)	(92.1)	(63.0)
Selling and administrative expenses with Harris Corporation	(7.0)	(6.8)	(5.6)
Total research, development, selling and administrative expenses	(187.5)	(138.3)	(97.4)
Acquired in-process research and development	—	(15.3)	—
Amortization of identifiable intangible assets	(7.1)	(7.5)	—
Restructuring charges	(9.3)	(9.3)	(3.8)
Corporate allocations expense from Harris Corporation	—	(3.7)	(12.4)
Operating loss	(13.7)	(27.4)	(31.3)
Interest income	2.4	1.8	0.5
Interest expense	(2.6)	(2.3)	(1.0)
Loss before benefit or provision for income taxes	(13.9)	(27.9)	(31.8)
Benefit from (provision for) income taxes	2.0	6.1	(6.8)
Net loss	$ (11.9)	$ (21.8)	$ (38.6)
Net loss per common share of Class A and Class B common stock (Notes 1 and 2):			
Basic and diluted	$ (0.20)	$ (0.88)	$ N/A
Basic and diluted weighted average shares outstanding	58.4	24.7	N/A

(1) The net loss per common share amounts are the same for Class A and Class B because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

(2) Prior to January 26, 2007, the Company was a division of Harris Corporation and there were no shares outstanding for purposes of income or 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.

See accompanying Notes to Consolidated Financial Statements

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 27, 2008	June 29, 2007
		(Restated)
	(In millions, except share amounts)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 95.0	$ 69.2
Short-term investments and available for sale securities	3.1	20.4
Receivables	199.7	183.1
Unbilled costs	37.1	36.9
Inventories	93.5	124.2
Deferred income taxes	12.6	4.1
Other current assets	19.1	21.7
Total current assets	460.1	459.6
Long-Term Assets		
Property, plant and equipment	75.6	80.0
Goodwill	284.2	324.7
Identifiable intangible assets	130.1	144.5
Capitalized software	9.5	9.7
Non-current portion of notes receivable	2.5	5.3
Non-current deferred income taxes	13.7	0.5
Other assets	1.6	1.2
Total long-term assets	517.2	565.9
Total assets	$977.3	$1,025.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	$ —	$ 1.2
Current portion of long-term debt	5.0	10.7
Accounts payable	81.1	84.7
Compensation and benefits	19.5	11.5
Other accrued items	42.1	45.8
Advance payments and unearned income	30.1	22.3
Income taxes payable	—	6.8
Restructuring liabilities	5.1	10.8
Current portion of long-term capital lease obligation to Harris Corporation	1.3	3.1
Due to Harris Corporation	16.8	17.2
Total current liabilities	201.0	214.1
Long-Term Liabilities		
Long-term debt	3.8	8.8
Long-term portion of capital lease obligation to Harris Corporation	1.3	2.8
Restructuring and other long-term liabilities	7.4	11.8
Redeemable preference shares	8.3	8.3
Warrants	0.6	3.9
Reserve for uncertain tax positions	3.0	—
Deferred income taxes	3.7	29.4
Total Liabilities	229.1	279.1
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 25,556,134 shares as of June 27, 2008 and 25,400,856 shares as of June 29, 2007	0.3	0.3
Common stock, Class B $0.01 par value; 100,000,000 shares authorized; issued and outstanding 32,913,377 shares as of June 27, 2008 and June 29, 2007	0.3	0.3
Additional paid-in-capital	779.9	770.0
Accumulated deficit	(36.1)	(24.2)
Accumulated other comprehensive income	3.8	—
Total Shareholders' Equity	748.2	746.4
Total Liabilities and Shareholders' Equity	$977.3	$1,025.5

See accompanying Notes to Consolidated Financial Statements

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Years Ended		
	June 27, 2008	June 29, 2007	June 30, 2006
		(Restated) (In millions)	(Restated)
Operating Activities			
Net loss	$(11.9)	$(21.8)	$(38.6)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Amortization of identifiable intangible assets acquired in the Stratex acquisition and other	13.9	25.8	—
Other noncash charges related to the Stratex acquisition	—	7.9	—
Depreciation and amortization of property, plant and equipment and capitalized software	19.8	14.5	15.7
Noncash share-based compensation expense	6.4	3.9	—
Noncash charges for inventory write-downs	14.7	—	38.5
Decrease in fair value of warrant liability	(3.3)	(0.6)	—
Gain on sale of land and building	—	—	(1.8)
Deferred income tax (benefit) expense	(7.5)	(13.0)	5.7
Changes in operating assets and liabilities, net of effects from acquisition:			
Receivables	(13.7)	(23.8)	(5.0)
Unbilled costs and inventories	15.9	(33.1)	(24.6)
Accounts payable and accrued expenses	1.3	10.1	18.0
Advance payments and unearned income	7.8	12.8	2.4
Due to Harris Corporation	0.4	4.6	(1.5)
Decrease in restructuring liabilities and other	(3.8)	(0.4)	10.7
Net cash provided by (used in) operating activities	40.0	(13.1)	19.5
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	(9.2)	(30.7)	—
Sales and maturities of short-term investments and available for sale securities	26.6	35.8	—
Additions of property, plant and equipment	(9.2)	(8.3)	(9.6)
Additions of capitalized software	(10.3)	(2.9)	(3.2)
Net cash (used in) provided by investing activities	(2.1)	14.3	(8.2)
Financing Activities			
Proceeds from issuance of short-term debt	1.2	10.8	9.4
Payments on short-term debt	(2.4)	(9.8)	(10.2)
Payments on long-term debt	(10.7)	(5.2)	—
Payments on long-term capital lease obligation to Harris Corporation	(3.7)	—	—
Proceeds from exercise of former Stratex stock options	1.5	3.1	—
Excess tax benefits from share-based compensation	0.7	—	—
Proceeds from issuance of redeemable preference shares	—	8.3	—
Proceeds from issuance of Class B common stock to Harris Corporation	—	26.9	—
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 (to) Harris Corporation prior to the Stratex acquisition	—	24.1	(5.0)
Net cash (used in) provided by financing activities	(13.4)	57.3	(5.8)
Effect of exchange rate changes on cash and cash equivalents	1.3	(3.1)	0.5
Net increase in cash and cash equivalents	25.8	55.4	6.0
Cash and cash equivalents, beginning of year	69.2	13.8	7.8
Cash and cash equivalents, end of year	$ 95.0	$ 69.2	$ 13.8
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	$ 2.7	$ 2.0	$ 1.0
Income taxes	$ 2.2	$ 6.6	$ 1.1

See accompanying Notes to Consolidated Financial Statements

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE LOSS

	Common Stock Class A	Common Stock Class B	Additional Paid-in Capital	Division Equity	Accumulate Deficit	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity
			(Restated)	(Restated)	(Restated)		(Restated)
			(In millions, except share amounts)				
Balance as of July 1, 2005 (Restated)	$ —	$ —	$ —	$ 289.3	$ $—	$(13.9)	$275.4
Net loss (Restated)	—	—	—	(38.6)	—	—	(38.6)
Foreign currency translation	—	—	—	—	—	12.7	12.7
Net unrealized loss on hedging activities	—	—	—	—	—	(0.2)	(0.2)
Comprehensive loss (Restated)							(26.1)
Net decrease in investment from Harris Corporation	—	—	—	(5.0)	—	—	(5.0)
Balance as of June 30, 2006 (Restated)	—	—	—	245.7	—	(1.4)	244.3
Net income for the period from July 1, 2006 through January 26, 2007 (Restated)	—	—	—	2.4	—	—	2.4
Net loss for the period from January 27, 2007 through June 29, 2007 (Restated)	—	—	—	—	(24.2)	—	(24.2)
Foreign currency translation	—	—	—	—	—	1.5	1.5
Net unrealized loss on hedging activities	—	—	—	—	—	(0.1)	(0.1)
Comprehensive loss (Restated)							(20.4)
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 (Restated)	—	—	242.2	(242.2)	—	—	—
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 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 as of June 29, 2007 (Restated)	0.3	0.3	770.0	—	(24.2)	—	746.4
Net loss	—	—	—	—	(11.9)	—	(11.9)
Foreign currency translation	—	—	—	—	—	4.1	4.1
Net unrealized loss on hedging activities	—	—	—	—	—	(0.3)	(0.3)
Comprehensive loss							(8.1)
Adjustment to capital from Harris Corporation	—	—	1.3	—	—	—	1.3
Employee stock option exercises, net of tax (129,038 shares)	—	—	1.5	—	—	—	1.5
Stock option tax benefits	—	—	0.7	—	—	—	0.7
Compensatory stock awards (73,740 shares)	—	—	6.4	—	—	—	6.4
Balance as of June 27, 2008	$0.3	$0.3	$779.9	$ —	$(36.1)	$ 3.8	$748.2

See accompanying Notes to Consolidated Financial Statements

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 27, 2008 AND JUNE 29, 2007 AND FOR EACH OF THE THREE FISCAL YEARS IN THE PERIOD ENDED JUNE 27, 2008

Note A — Nature of Operations and Basis of Presentation

Nature of Operations — 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"). 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.

Basis of Presentation — The consolidated financial statements include the accounts of Harris Stratex 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 Microwave Communications Division ("MCD") of Harris Corporation ("Harris") 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. 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 and $12.4 million in fiscal 2007 and 2006 for these corporate allocations expense from Harris. These costs represented approximately 6.1% and 16.7% of the total cost of these allocated services in fiscal 2007 and 2006. 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.

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

Our fiscal year ends on the Friday nearest June 30. Fiscal years 2008, 2007 and 2006 each included 52 weeks.

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"), FASB Staff Positions ("FSP"), FASB Interpretations ("FIN") and Accounting Principles Board Opinions ("APBO") as well as guidance provided by the Emerging Issues Task Force ("EITF") and 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 a quarterly basis, we evaluate our estimates, including those related to the following areas:

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

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 these estimates.

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

Short-Term Investments and Available for Sale Securities

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

Our short-term investments and available for sale securities are subject to market risk, primarily interest rate and credit risk. These investments are managed by three outside professional managers within investments guidelines set by our management. Such guidelines include security type, credit quality and maturity and are

intended to limit market risk by restricting our investments to high quality debt instruments with relatively short-term maturities. All short-term investments and available for sale securities are reported at fair value with the related unrealized holding gains and losses reported as a component of accumulated other comprehensive income (loss) in shareholders' equity.

Fair value is determined by using observable or quoted market prices for those securities with the assistance of our outside professional managers.

As of June 27, 2008, our investment in short-term investments and available for sale securities consisted of certificates of deposit, commercial paper and corporate notes with maturity dates of less than one year. When a marketable security is sold, the realized gain or loss is determined using the specific identification method. Realized gains and losses from the sale of short-term investments and available for sale securities in fiscal 2008, 2007 and 2006 were not significant. See Note F — *Short-Term Investments and Available for Sale Securities*, for additional information.

Accounts Receivable, Major Customers and Other Significant Concentrations

We typically invoice our customers for the sales order (or contract) value of the related products delivered at various milestones, including order receipt, shipment, installation and acceptance and for services when rendered. We record accounts receivable at net realizable value, which includes an allowance for estimated uncollectible accounts to reflect any loss anticipated on the collection of accounts receivable balances. We calculate the allowance based on our history of write-offs, level of past due accounts and economic status of the customers. The fair value of our accounts receivable approximates their net realizable value. See Note H — *Receivables,* for additional information.

During fiscal 2008, we had one customer in Africa (Mobile Telephone Networks or MTN) that accounted for 13% of our total revenue. As of June 27, 2008, MTN accounted for approximately 13% of our accounts receivable. In fiscal 2007, no customers accounted for more than 10% of our total revenue. During fiscal 2006, a customer in Nigeria accounted for 15% of our total revenue.

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 prime money market funds, certificates of deposit, commercial paper and corporate notes. We are exposed to credit risks related to our cash equivalents, 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. Our customers are primarily in the telecommunications industry, so our accounts receivable are concentrated within one industry and exposed to concentrations of credit risk within that industry.

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

We have entered into agreements relating to our foreign currency contracts with large, multinational financial institutions. The amounts subject to credit risk arising from the possible inability of any such parties to meet the terms of their contracts are generally limited to the amounts, if any, by which such party's obligations exceed our obligations to that party.

Inventories

Inventories are valued at the lower of cost (determined by average cost and first-in, first-out methods) or market. We regularly review inventory quantities on hand and record 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 I — *Inventories*, for additional information.

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 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 R — *Income Taxes*, for additional information.

Property, Plant and Equipment

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

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

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

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

Total amortization expense related to capitalized software under Statement 86 was $2.9 million in fiscal 2008, $2.3 million in fiscal 2007 and $1.6 million in fiscal 2006.

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

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 amortize our acquired intangible assets with definite lives over periods ranging from less than one to ten years. The Stratex tradename intangible asset has been deemed to have an indefinite life and is not amortized.

Statement 142 also requires that goodwill and intangible assets deemed to have indefinite lives not be amortized but instead be tested for impairment at the reporting unit level in accordance with Statement 142 at least annually and more frequently upon the occurrence of certain events. We review the carrying value of our intangible assets and goodwill for impairment whenever events or circumstances indicate that their carrying amount may not be recoverable. Significant negative industry or economic trends, including a lack of recovery in the market price of our common stock or the fair value of our debt, disruptions to our business, unexpected significant changes or

planned changes in the use of the intangible assets, and mergers and acquisitions could result in the need to reassess the fair of our assets and liabilities which could lead to an impairment charge for any of our intangible assets or goodwill. The value of our indefinite lived intangible assets and goodwill could also be impacted by future adverse changes such as: (i) any future declines in our operating results, (ii) a significant slowdown in the worldwide economy and the microwave industry or (iii) any failure to meet the performance projections included in our forecasts of future operating results. We evaluate these assets, including purchased intangible assets deemed to have indefinite lives, on an annual basis or more frequently, if indicators of impairment exist.

We have determined we have three reporting units, consisting of: (i) our North America Microwave segment; (ii) our International Microwave segment; and (iii) our Network Operations segment. We have no indefinite lived intangible assets or goodwill in our Network Operations segment. Goodwill and the Stratex tradename are 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 a combination of projected discounted cash flows and market multiples based on revenue and earnings before interest, taxes, depreciation and amortization), which would indicate a potential impairment associated with that reporting unit. If we determine that a potential impairment exists, we then compare the implied fair value associated with the respective reporting unit, to its carrying amount to determine if there is an impairment loss.

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

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 identifiable intangible assets or goodwill in fiscal 2008, 2007 or 2006. During fiscal 2008, we recorded impairment losses on property, plant and equipment of $1.3 million. See Note S — *Related Party Transactions with Harris*, for additional information.

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 27, 2008 or as of June 29, 2007. “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 27, 2008 or as of June 29, 2007. No assets within the caption “Other assets” on the consolidated balance sheets exceed 5% of total assets as of June 27, 2008 or as of June 29, 2007.

Warranties

On product sales we provide for future warranty costs upon product delivery. The specific terms and conditions of those warranties vary depending upon the product sold and country in which we do business. In the case of products sold by us, our warranties generally start from the delivery date and continue for two to three years, depending on the terms.

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

Network management software products generally carry a 30-day to 90-day warranty from the date of acceptance. Our liability under these warranties is 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 27, 2008, we had not incurred any material costs as a result of such indemnification and have not accrued any liabilities related to such obligations in our consolidated financial statements. See Note L — *Accrued Warranties,* for additional information.

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 merger. We continue to use these assets in our business and entered into a 5-year lease agreement to accommodate this use. That lease agreement was considered a capital lease under generally accepted accounting principles. As of June 27, 2008, our lease obligation to Harris is $2.6 million and the related asset amount, net of accumulated amortization of $2.1 million 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. Of the $2.6 million capital lease obligation, $1.3 million has been classified as current in our consolidated balance sheet.

We lease sales facilities, administrative facilities and equipment under various operating leases. These lease agreements generally include rent escalation clauses, and many include renewal periods at our option. We account for leases in accordance with Statement of Financial Accounting Standards No. 13 "Accounting for Leases" ("Statement 13") and other related authoritative guidance. We recognize expense for scheduled rent increases on a straight-line basis over the lease term beginning with the date we take possession of the leased space. Leasehold improvements made either at the inception of the lease or during the lease term are amortized over the current lease term, or estimated life, if shorter.

Liability for Warrants and the Related Changes in Fair Value

We account for our warrants in accordance with 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. See Note N — *Warrants, for additional information.*

Contingent Liabilities

We have a number of unresolved legal and tax matters, as discussed further in Note R — *Income Taxes* and Note V — *Legal Proceedings*. We provide for contingent liabilities in accordance with Financial Accounting Standards No. 5 "Accounting for Contingencies" ("Statement 5"). In accordance with Statement 5, a loss contingency is charged to operations when (i) it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements, and (ii) the amount of the loss can be reasonably estimated. Disclosure in the notes to the financial statements is required for loss contingencies that do not meet both those conditions if there is a reasonable possibility that a loss may have been incurred. Gain contingencies are not recorded until realized. We expense all legal costs incurred to resolve regulatory, legal and tax matters as incurred.

Periodically, we review the status of each significant matter to assess the potential financial exposure. If a potential loss is considered probable and the amount can be reasonably estimated as defined by Statement 5, we reflect the estimated loss in our results of operations. Significant judgment is required to determine the probability that a liability has been incurred or an asset impaired and whether such loss is reasonably estimable. Further, estimates of this nature are highly subjective, and the final outcome of these matters could vary significantly from the amounts that have been included in our consolidated financial statements. As additional information becomes available, we reassess the potential liability related to our pending claims and litigation and may revise estimates accordingly. Such revisions in the estimates of the potential liabilities could have a material impact on our results of operations and financial position.

Foreign Currency Translation

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

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

Gains and losses resulting from foreign exchange transactions and 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 Consolidated Statements of Operations in fiscal 2008, 2007 and 2006 were not material.

Retirement Benefits

As of June 27, 2008, we provided retirement benefits to substantially all employees primarily through our defined contribution retirement plans, and prior to January 27, 2007 we provided these benefits through Harris' defined contribution retirement plan. These plans have matching and savings elements. Contributions by us to these retirement plans are based on profits and employees' savings with no other funding requirements. We may make additional contributions to our plan at our discretion.

Prior to January 27, 2007, retirement benefits also included 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 $3.8 million, $5.4 million and $8.4 million in fiscal 2008, 2007 and 2006.

Financial Guarantees, Commercial Commitments and Indemnifications

Guarantees issued by banks, insurance companies or other financial institutions are contingent commitments issued to guarantee our performance under borrowing arrangements, such as bank overdraft facilities, tax and customs obligations and similar transactions or to ensure our performance under customer or vendor contracts. The terms of the guarantees are generally equal to the remaining term of the related debt or other obligations and are limited to two years or less. As of June 27, 2008, we had no guarantees applicable to our debt arrangements. We have entered into commercial commitments in the normal course of business including surety bonds, standby letters of credit agreements and other arrangements with financial institutions primarily relating to the guarantee of future performance on certain contracts to provide products and services to customers. As of June 27, 2008, we had commercial commitments of $50.5 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 27, 2008, we had not recorded any liabilities related to these indemnifications.

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

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 income 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, is 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 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.

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 "Cost of Products Sold." See Note U — *Derivative Instruments and Hedging Activities,* for additional information.

Revenue Recognition

We generate substantially all of our revenue from the sales or licensing of our: (i) microwave radio systems, (ii) network management software, and (iii) professional services including installation and commissioning and training. Principal customers for our products and services include domestic and international wireless/mobile service providers, original equipment manufacturers, distributors, system integrators, as well as private network users such as public safety agencies, government institutions, and utility, pipeline, railroad and other industrial enterprises that operate broadband wireless networks. Our customers generally purchase a combination of our products and services as part of a multiple element arrangement.

We often enter into multiple contractual agreements with the same customer. Such agreements are reviewed to determine whether they should be evaluated as one arrangement. If an arrangement, other than a long-term contract, requires the delivery or performance of multiple deliverables or elements, we determine whether the individual elements represent "separate units of accounting" 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.

Our assessment of which revenue recognition guidance is appropriate to account for each element in an arrangement can involve significant judgment. Revenue from product sales and services are generally recognized in accordance with SAB No. 104, when persuasive evidence of an arrangement exists, delivery has occurred and title and risk of loss has transferred or services have been rendered, the fee is fixed or determinable and collectibility is reasonably assured.

Revenue recognition related to long-term contracts for customized network solutions are recognized using the percentage-of-completion method in accordance with AICPA Statement of Position 81-1 "Accounting for Performance of Construction-Type and Certain Production-Type Contracts" ("SOP 81-1"). In using the percentage-of-completion method, we generally apply the cost-to-cost method of accounting where sales and profits are recorded based on the ratio of costs incurred to estimated total costs at completion. Contracts are combined when specific aggregation criteria stated in SOP 81-1 are met. Recognition of profit on long-term contracts requires estimates of: the total contract value; the total cost at completion; and the measurement of progress towards completion. Significant judgment is required when estimating total contract costs and progress to completion on the arrangements as well as whether a loss is expected to be incurred on the contract. Amounts representing contract change orders, claims or other items are included in sales only when they can be reliably estimated and realization is probable. When adjustments in contract value or estimated costs are determined, any changes from prior estimates are reflected in earnings in the current period. Anticipated losses on contracts or programs in progress are charged to earnings when identified.

Revenue recognition for the sale of software licenses is in accordance with SOP 97-2. For arrangements under SOP 97-2, the entire fee from the arrangement must be allocated to each of the elements based on the individual element's fair value, which must be based on vendor specific objective evidence of the fair value ("VSOE"). If VSOE cannot be established for the undelivered elements of an arrangement, we defer revenue until the earlier of (i) delivery, or (ii) fair value of the undelivered element exists, unless the undelivered element is a service, in which the entire arrangement fee is recognized ratably over the period during which the services are expected to be performed.

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

Cost of Product Sales and Services

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

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

Presentation of Taxes Collected from Customers and Remitted to Government Authorities

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

Share-Based Compensation

Effective July 2, 2005, the start of our fiscal year 2006, we implemented Statement of Financial Accounting Standards No. 123R "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. 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. We have issued stock options, restricted stock and performance shares under our 2007 Stock Equity Plan and assumed stock options from the Stratex acquisition.

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

For stock options and restricted stock, we recognize compensation cost on a straight-line basis over the awards' vesting periods for those awards which contain only a service vesting feature. For awards with a performance condition vesting feature, when achievement of the performance condition is deemed probable we recognize compensation cost on a straight-line basis over the awards' expected vesting periods. Vesting of performance share awards is subject to performance criteria including meeting net income and cash flow targets for a 29-month plan period ending July 3, 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.

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 2008 and 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 such that expense was recorded only for those share-based awards that are expected to vest. True-ups of forfeiture estimates are made quarterly on a grant by grant basis.

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. See Note P — *Share-Based Compensation,* for additional information.

Earnings (Loss) per Share and Description of Shares Outstanding

We compute net income or loss per share of Class A and Class B common stock in accordance with Statement of Financial Accounting Standards No. 128 "Earnings per Share" ("Statement 128") using the two class method. Under the provisions of Statement 128, basic net income per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income per share is computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options. The dilutive effect of outstanding stock options is reflected in diluted earnings per share by application of the treasury stock method. The computation of the diluted net income per share of Class A common stock assumes the conversion of Class B common stock, while the diluted net income per share of Class B common stock does not assume the conversion of those shares.

The rights, including the liquidation and dividend rights, of the holders of our Class A and Class B common stock are substantially similar. However, the holders of Class B common stock have the sole and exclusive right to elect or remove the Class B directors, who currently number five of the nine members of our board of directors. Further, our restated certificate of incorporation cannot be amended or replaced to adversely affect the rights of the holders of Class B common stock or to approve a new issuance of Class B common stock without the approval of the holders of a majority of Class B common stock. At any time each holder may exchange the holder's shares of Class B common stock for an equal number of shares of Class A common stock at the holder's option. Under certain circumstances, each share of Class B common stock will convert automatically into one share of Class A common stock. The holders of Class B common stock have the right to preserve their proportionate interest in the company by participating in any issuance of capital stock by the company other than issuances pursuant to stock option or similar employee benefit plan. As a result, and in accordance with EITF 03-6, *Participating Securities and the Two-Class Method under FASB Statement No. 128*, the undistributed earnings for each year are allocated based on the contractual participation rights of the Class A and Class B common shares as if the earnings for the year had been distributed. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis. Further, as we assume the conversion of Class B common stock in the computation of the diluted net income per share of Class A common stock, the undistributed earnings are equal to net income for that computation.

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. For fiscal 2008 and 2007, the diluted loss per share amounts equals 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. See Note O — *Restructuring Activities,* for additional information.

Research and Development Costs

Our company-sponsored research and development costs, which include costs in connection with new product development, improvement of existing products, process improvement, and product use technologies, are charged to operations in the period in which they are incurred. 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 sometimes 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 2008, 2007 or 2006.

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 and service fulfillment systems and solutions, 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 Q — *Business Segments,* for additional information.

Note C — Accounting Changes and Recent Accounting Pronouncements

Initial Application of Standards, Interpretations and Amendments to Standards and Interpretations

Accounting for Uncertainty in Income Taxes

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement 109" ("FIN 48"), which sets out a consistent framework for preparers to use to determine the appropriate level of tax reserves to maintain for uncertain tax positions. This interpretation of Statement 109 uses a two-step approach wherein a tax benefit is recognized if a position is more likely than not to be sustained. The amount of the benefit to be recognized is the largest amount that has a greater than 50 percent likelihood of being ultimately sustained. FIN 48 also sets out disclosure requirements to enhance transparency of an entity's tax reserves. We implemented FIN 48 effective June 30, 2007, which was the beginning of our fiscal 2008. The adoption of FIN 48 increased our retained deficit by less than $0.1 million as of June 30, 2008.

Standards, Interpretations and Amendments Issued, but not yet Adopted

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 is effective for financial assets and financial liabilities for fiscal years beginning after November 15, 2007, which for us is our fiscal 2009. In February 2008, the FASB issued FASB Staff Position ("FSP") No. FAS 157-2, "Effective Date of FASB Statement No. 157," which defers the effective date of Statement 157 for nonfinancial assets and nonfinancial liabilities to fiscal years beginning after November 15, 2008, which for us is our fiscal 2010. We do not currently anticipate that the implementation of Statement 157 will materially impact our financial position, results of operations or cash flows.

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 is our fiscal 2009. We do not currently plan to elect the fair value option.

Accounting for Business Combinations

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), "Business Combinations" ("Statement 141R"). Statement 141R requires that, upon a business combination, the acquired assets, assumed liabilities, contractual contingencies and contingent liabilities, be recognized and measured at their fair value at the acquisition date. Statement 141R also requires that acquisition-related costs be recognized separately from the acquisition and expensed as incurred. In addition, Statement 141R requires that acquired in-process research and development be measured at fair value and capitalized as an indefinite-lived intangible asset, and it is therefore not subject to amortization until the project is completed or abandoned. Statement 141R also requires that changes in deferred tax asset valuation allowances and acquired income tax uncertainties that are recognized after the measurement period be recognized in income tax expense. Statement 141R is to be applied prospectively and is effective for fiscal years beginning on or after December 15, 2008, which for us will be our fiscal 2010. Thus, while adoption is not expected to materially impact our financial position, results of operations or cash flows directly when it becomes effective on July 4, 2009 (the beginning of our fiscal 2010), it is expected to have a significant effect on the accounting for any acquisitions we make subsequent to that date.

Accounting for Non-controlling Interests in Consolidated Financial Statements

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51" ("Statement 160"). Statement 160 requires that noncontrolling interests (previously referred to as minority interests) be clearly identified and presented as a component of equity, separate from the parent's equity. Statement 160 also requires that the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income; that changes in ownership interest be accounted for as equity transactions; and that when a subsidiary is deconsolidated, any retained noncontrolling equity investment in that subsidiary and the gain or loss on the deconsolidation of that subsidiary be measured at fair value. Statement 160 is to be applied prospectively, except for the presentation and disclosure requirements (which are to be applied retrospectively for all periods presented) and is effective for fiscal years beginning after December 15, 2008, which for us is our fiscal 2010. We do not currently anticipate the implementation of Statement 160 will materially impact our financial position, results of operations or cash flows.

Disclosures about Derivative Instruments and Hedging Activities

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133" ("Statement 161"). Statement 161 applies to all derivative instruments, including bifurcated derivative instruments (and to non-derivative instruments that are designated and qualify as hedging instruments pursuant to paragraphs 37 and 42 of Statement 133) and related hedged items accounted for under Statement 133. Statement 161 amends and expands the disclosure requirements of Statement 133 to provide greater transparency as to (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. To meet those objectives, Statement 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about the volume of derivative activity and fair value amounts of, and gains and losses on, derivative instruments including location of such amounts in the consolidated financial statements, and disclosures about credit-risk-related contingent features in derivative agreements. Statement 161 is effective for fiscal years and interim periods that begin after November 15, 2008, which for us is the third quarter of our fiscal 2009. We do not currently anticipate the implementation of Statement 161 will materially impact our financial position, results of operations or cash flows.

Earnings per Share

In June 2008, the FASB issued FSP No. Emerging Issues Task Force ("EITF") 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" ("FSP 03-6-1"). FSP 03-6-1 states that unvested share-based payment awards that contain rights to receive nonforfeitable dividends or dividend equivalents (whether paid or unpaid) are participating securities and, accordingly, should be included in the two-class method of calculating earnings per share ("EPS") under FASB Statement of Financial Accounting Standards No. 128, "Earnings per Share." FSP 03-6-1 also includes guidance on allocating earnings pursuant to the two-class method. FSP 03-6-1 is effective for fiscal years beginning after December 15, 2008, which for us is our fiscal 2010. All prior-period EPS data presented (including interim financial statements, summaries of earnings, and selected financial data) shall be adjusted retrospectively. We are currently evaluating the impact FSP 03-6-1 may have on our financial position, results of operations and cash flows.

Useful Life of Intangible Assets

In June 2008, the FASB issued FSP No. FAS 142-3, "Determining the Useful Life of Intangible Assets" ("FSP 142-3"). FSP 142-3 amends the factors that must be considered in developing renewal or extension assumptions used to determine the useful life of recognized intangible assets accounted for pursuant to Statement 142. FSP 142-3 amends Statement 142 to require an entity to consider its own historical experience in renewing or extending similar arrangements, regardless of whether those arrangements have explicit renewal or extension provisions. In the absence of such experience, FSP 142-3 requires an entity to consider assumptions that market participants would use (consistent with the highest and best use of the asset by market participants), adjusted for entity-specific factors. FSP 142-3 also requires incremental disclosures for renewable intangible assets. FSP 142-3 is effective for fiscal years beginning after December 15, 2008, which for us is our fiscal 2010. This FSP is to be applied prospectively to intangible assets acquired after the effective date, and the incremental disclosure requirements for renewable intangible assets are to be applied prospectively to all intangible assets recognized as of, and subsequent to, the effective date.

Note D — Restatement of Previously Issued Financial Statements

As previously announced on July 30, 2008, Harris Stratex Networks, Inc. and its Audit Committee concluded that our consolidated financial statements for the quarters ended March 28, 2008, December 28, 2007 and September 28, 2007, respectively, and fiscal years ended June 29, 2007, June 30, 2006 and July 1, 2005 would be

restated for the correction of errors contained in those consolidated financial statements. The effect of these restatement items decreased shareholders' equity cumulatively by $15.3 million as of March 28, 2008, $11.6 million as of June 29, 2007, $7.7 million as of June 30, 2006 and $4.9 million as of July 1, 2005. Division equity, which as reclassified to additional paid-in capital at the merger date, decreased from the amount previously reported by $8.3 million. Previously reported net income was decreased by $3.7 million for the three quarters ended March 28, 2008 and net loss was increased by $3.9 million and $2.8 million for the fiscal years ended June 29, 2007 and June 30, 2006, respectively. The restatement had no impact on our net cash flows from operations, financing activities or investing activities.

Previously filed (i) annual consolidated financial statements for the fiscal years ended June 29, 2007, June 30, 2006 and July 1, 2005 included in the Company's Annual Report on Form 10-K ("Form 10-K") for the year ended June 29, 2007, (ii) interim condensed consolidated financial statements for the quarters ended March 28, 2008, December 28, 2007 and September 28, 2007 and (iii) related reports of the Company's independent registered public accountants have been replaced by the fiscal 2007 Form 10-K/A and the Forms 10-Q/A for the quarters ended March 28, 2008, December 28, 2007 and September 28, 2007 by the Company on September 25, 2008. Details of the nature of the corrections are as follows:

Inventory

Project costs are accumulated in work in process inventory accounts in our cost accounting systems. As products are shipped or otherwise meet our revenue recognition criteria, these project costs are recorded to cost of sales. Estimates may be required if certain costs have been incurred but not yet invoiced to us. On a routine and periodic basis, we review the work in process balances related to these projects to ensure all appropriate costs have been recorded to cost of sales in a timely manner and in the period to which they relate.

During fiscal 2008, we determined that this review had not been performed in a manner sufficient to identify significant project cost variances remaining in certain inventory accounts, and that the resulting errors impacted prior quarters and prior years. To correct this error, we decreased work in process inventory compared to amounts previously recorded by $14.1 million and $9.6 million as of March 28, 2008 and June 29, 2007, respectively, and increased cost of external product sales and services by $4.5 million for the three quarters ended March 28, 2008 and $4.6 million and $2.1 million for the fiscal years ended June 29, 2007 and June 30, 2006, respectively. A $2.9 million increase in the cost of external product sales and services was recorded in fiscal years prior to 2006.

Inventory and Intercompany Account Reconciliations

During the course of the year end close for the fiscal year ending June 27, 2008, we determined that certain account reconciliation adjustments recorded in the fourth quarter of fiscal 2008, which related primarily to inventory and intercompany accounts receivable accounts, should have been recorded in prior quarters or prior years. We determined that certain manual controls had not been performed for certain periods, resulting in accounting errors. More specifically, we identified errors in the work in process inventory balances resulting from incorrect account reconciliation processes. To correct this error, we decreased work in process inventory compared to amounts previously recorded by $2.5 million and $1.9 million as of March 28, 2008 and June 29, 2007, respectively, and increased cost of external product sales by $0.6 million for the three quarters ended March 28, 2008 and $1.4 million and $0.6 million for the fiscal years ended June 29, 2007 and June 30, 2006, respectively. A $0.1 million decrease in the cost of external product sales was recorded in fiscal years prior to 2006.

We also identified errors in accounts receivable balances as a result of control deficiencies in the recording and elimination of intercompany transactions. To correct this error, we decreased accounts receivable compared to amounts previously recorded by $3.1 million and $2.2 million as of March 28, 2008 and June 29, 2007, respectively, and increased selling and administrative expenses by $0.9 million for the three quarters ended March 28, 2008 and $0.1 million for the fiscal year ended June 30, 2006. A $2.1 million increase in selling and administrative expenses was recorded in fiscal fiscal years prior to 2006.

Warranty Liability

Our liability for product warranties contains the estimated accrual for certain technical assistance service provided under our standard warranty policy. We determined that these costs had not been properly included in warranty liability estimates in the balance sheet of Stratex at the date of acquisition. To correct this error, we increased the warranty liability and increased goodwill related to the Stratex acquisition by $1.1 million as of March 28, 2008 and June 29, 2007.

Deferred Tax Liability

Taking into consideration the restatement adjustments described above, we reassessed our income tax provision in accordance with Statement 109. As a result, we decreased the net deferred tax liability balance and increased the income tax benefit by $4.4 million and $2.1 million as of March 28, 2008 and June 29, 2007, respectively. 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 for those periods 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. Thus, there were no changes in our tax provision for periods prior to fiscal 2007.

The following tables present the impact of the restatement adjustments on our previously reported consolidated statements of operations for the three quarters ended March 28, 2008 and fiscal years 2007 and 2006 as well as the impact on the previously reported consolidated balance sheets as of March 28, 2008 and June 29, 2007.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Quarters Ended March 28, 2008		
	As Previously Reported	Adjustments	As Restated
	(In millions, except per share amounts)		
Net revenues from product sales and services	$ 531.6	$ —	$ 531.6
Cost of product sales and services:			
Cost of external product sales	(306.3)	(4.7)	(311.0)
Cost of product sales with Harris Corporation	(4.2)	—	(4.2)
Total cost of product sales	(310.5)	(4.7)	(315.2)
Cost of services	(59.8)	(0.4)	(60.2)
Cost of sales billed from Harris Corporation	(4.6)	—	(4.6)
Amortization of purchased technology	(5.3)	—	(5.3)
Total cost of product sales and services	(380.2)	(5.1)	(385.3)
Gross margin	151.4	(5.1)	146.3
Research and development expenses	(34.8)	—	(34.8)
Selling and administrative expenses	(90.0)	(0.9)	(90.9)
Selling and administrative expenses with Harris Corporation	(5.2)	—	(5.2)
Total research, development, selling and administrative expenses	(130.0)	(0.9)	(130.9)
Acquired in-process research and development	—	—	—
Amortization of identifiable intangible assets	(5.6)	—	(5.6)
Restructuring charges	(8.4)	—	(8.4)
Corporate allocations expense from Harris Corporation	—	—	—
Operating income	7.4	(6.0)	1.4
Interest income	1.4	—	1.4
Interest expense	(2.2)	—	(2.2)
Income before provision for income taxes	6.6	(6.0)	0.6
Provision for income taxes	(1.1)	2.3	1.2
Net income	$ 5.5	$ (3.7)	$ 1.8
Net income (loss) per share of Class A and Class B common stock:			
Basic	$ 0.09	$(0.06)	$ 0.03
Diluted	$ 0.05	$(0.07)	$ (0.02)
Basic weighted average shares outstanding	58.4		58.4
Diluted weighted average shares outstanding	58.9		58.9

	For the Fiscal Year Ended June 29, 2007		
	As Previously Reported	Adjustments	As Restated
	(In millions, except per share amounts)		
Net revenues from product sales and services	$ 507.9	$ —	$ 507.9
Cost of product sales and services:			
Cost of external product sales	(281.2)	(5.1)	(286.3)
Cost of product sales with Harris Corporation	(1.3)	—	(1.3)
Total cost of product sales	(282.5)	(5.1)	(287.6)
Cost of services	(64.3)	(0.9)	(65.2)
Cost of sales billed from Harris Corporation	(5.4)	—	(5.4)
Amortization of purchased technology	(3.0)	—	(3.0)
Total cost of product sales and services	(355.2)	(6.0)	(361.2)
Gross margin	152.7	(6.0)	146.7
Research and development expenses	(39.4)	—	(39.4)
Selling and administrative expenses	(92.1)	—	(92.1)
Selling and administrative expenses with Harris Corporation	(6.8)	—	(6.8)
Total research, development, selling and administrative expenses	(138.3)	—	(138.3)
Acquired in-process research and development	(15.3)	—	(15.3)
Amortization of identifiable intangible assets	(7.5)	—	(7.5)
Restructuring charges	(9.3)	—	(9.3)
Corporate allocations expense from Harris Corporation	(3.7)	—	(3.7)
Operating loss	(21.4)	(6.0)	(27.4)
Interest income	1.8	—	1.8
Interest expense	(2.3)	—	(2.3)
Loss before provision for income taxes	(21.9)	(6.0)	(27.9)
Benefit for income taxes	4.0	2.1	6.1
Net loss	$ (17.9)	$ (3.9)	$ (21.8)
Basic and diluted net loss per common share	$ (0.72)	$(0.16)	$ (0.88)
Basic and diluted weighted average shares outstanding	24.7		24.7

Annual Report

	For the Fiscal Year Ended June 30, 2006		
	As Previously Reported	Adjustments	As Restated
	(In millions, except per share amounts)		
Net revenues from product sales and services	$ 357.5	$ —	$ 357.5
Cost of product sales and services:			
Cost of external product sales	(222.7)	(2.4)	(225.1)
Cost of product sales with Harris Corporation	(7.4)	—	(7.4)
Total cost of product sales	(230.1)	(2.4)	(232.5)
Cost of services	(37.1)	(0.3)	(37.4)
Cost of sales billed from Harris Corporation	(5.3)	—	(5.3)
Amortization of purchased technology	—	—	—
Total cost of product sales and services	(272.5)	(2.7)	(275.2)
Gross margin	85.0	(2.7)	82.3
Research and development expenses	(28.8)	—	(28.8)
Selling and administrative expenses	(62.9)	(0.1)	(63.0)
Selling and administrative expenses with Harris Corporation	(5.6)	—	(5.6)
Total research, development, selling and administrative expenses	(97.3)	(0.1)	(97.4)
Acquired in-process research and development	—	—	—
Amortization of identifiable intangible assets	—	—	—
Restructuring charges	(3.8)	—	(3.8)
Corporate allocations expense from Harris Corporation	(12.4)	—	(12.4)
Operating loss	(28.5)	(2.8)	(31.3)
Interest income	0.5	—	0.5
Interest expense	(1.0)	—	(1.0)
Loss before provision for income taxes	(29.0)	(2.8)	(31.8)
Provision for income taxes	(6.8)	—	(6.8)
Net loss	$ (35.8)	$(2.8)	$ (38.6)
Basic and diluted net loss per common share	N/A		N/A
Basic and diluted weighted average shares outstanding	N/A		N/A

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CONDENSED CONSOLIDATED BALANCE SHEETS

	As of March 28, 2008		
	As Previously Reported	Adjustments	As Restated
ASSETS			
Current Assets			
Cash and cash equivalents	$ 97.0	$ —	$ 97.0
Short-term investments and available for sale securities	3.4	—	3.4
Receivables	199.0	(3.1)	195.9
Unbilled costs	35.7	—	35.7
Inventories	125.3	(16.6)	108.7
Deferred income taxes	6.5	—	6.5
Other current assets	17.5	—	17.5
Total current assets	484.4	(19.7)	464.7
Long-Term Assets			
Property, plant and equipment	74.4	—	74.4
Goodwill	315.4	1.1	316.5
Identifiable intangible assets	133.2	—	133.2
Other long-term assets	16.0	—	16.0
	539.0	1.1	540.1
Total assets	$1,023.4	$(18.6)	$1,004.8
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Short-term debt	$ —	$ —	$ —
Current portion of long-term debt	6.0	—	6.0
Accounts payable	81.8	—	81.8
Compensation and benefits	12.5	—	12.5
Other accrued items	44.8	1.1	45.9
Advance payments and unearned income	26.7	—	26.7
Income taxes payable	3.6	—	3.6
Restructuring liabilities	6.7	—	6.7
Current portion of long-term capital lease obligation to Harris Corporation	1.6	—	1.6
Due to Harris Corporation	20.5	—	20.5
Total current liabilities	204.2	1.1	205.3
Long-term liabilities	42.9	(4.4)	38.5
Total liabilities	247.1	(3.3)	243.8
Total shareholders' equity	776.3	(15.3)	761.0
Total liabilities and shareholders' equity	$1,023.4	$(18.6)	$1,004.8

	As of June 29, 2007		
	As Previously Reported	Adjustments	As Restated
ASSETS			
Current Assets			
Cash and cash equivalents	$ 69.2	$ —	$ 69.2
Short-term investments and available for sale securities	20.4	—	20.4
Receivables	185.3	(2.2)	183.1
Unbilled costs	36.9	—	36.9
Inventories	135.7	(11.5)	124.2
Deferred income taxes	4.1	—	4.1
Other current assets	21.7	—	21.7
Total current assets	473.3	(13.7)	459.6
Long-Term Assets			
Property, plant and equipment	80.0	—	80.0
Goodwill	323.6	1.1	324.7
Identifiable intangible assets	144.5	—	144.5
Other long-term assets	16.7	—	16.7
	564.8	1.1	565.9
Total assets	$1,038.1	$(12.6)	$1,025.5
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Short-term debt	$ 1.2	$ —	$ 1.2
Current portion of long-term debt	10.7	—	10.7
Accounts payable	84.7	—	84.7
Compensation and benefits	11.5	—	11.5
Other accrued items	44.7	1.1	45.8
Advance payments and unearned income	22.3	—	22.3
Income taxes payable	6.8	—	6.8
Restructuring liabilities	10.8	—	10.8
Current portion of long-term capital lease obligation to Harris Corporation	3.1	—	3.1
Due to Harris Corporation	17.2	—	17.2
Total current liabilities	213.0	1.1	214.1
Long-term liabilities	67.1	(2.1)	65.0
Total liabilities	280.1	(1.0)	279.1
Total shareholders' equity	758.0	(11.6)	746.4
Total liabilities and shareholders' equity	$1,038.1	$(12.6)	$1,025.5

Note E — Business Combination — Acquisition of Stratex Networks, Goodwill and Identifiable Intangible Assets (Restated)

On January 26, 2007, we completed our acquisition of Stratex. 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 allocation of the total consideration paid to the purchased tangible assets, identifiable intangible assets, 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)
	(Restated)
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	295.0
Property, plant and equipment	33.0
Other assets	11.1
Total assets	$645.8
Current portion of long-term debt	$ 11.3
Accounts payable and accrued expenses	56.1
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	$645.8

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 Consolidated Statements of Operations during fiscal 2007. This represents certain technologies under development, primarily related to the next generation of the Eclipse product line.

	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
			$149.5

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 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. We have not recorded any impairment losses on identifiable intangible assets or goodwill in fiscal 2008, 2007 or 2006. 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 27, 2008 are shown in the table below (in millions):

	Developed Technology	Tradenames	Customer Relationships	Contract Backlog	Non-Compete Agreements	Total
			(In millions)			
Initial fair value	$70.1	$44.4	$28.8	$ 4.3	$ 1.9	$149.5
Accumulated amortization	(9.9)	(3.2)	(4.7)	(4.3)	(1.9)	(24.0)
Net identifiable intangible assets	$60.2	$41.2	$24.1	$ —	$ —	$125.5

Pro Forma Results (Restated)

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
	(Restated)	(Restated)
	(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 (Restated)	$ (21.8)	$ (38.6)
Net loss — pro forma (Restated)	$ (34.2)	$ (79.7)
Net loss per diluted common share — as reported (Restated)	$ (0.88)	N/A
Net loss per diluted common share — pro forma (Restated)	$ (0.59)	$ (1.37)

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 (Restated)

Goodwill on the consolidated balance sheets in our North America Microwave and International Microwave segments totaled $284.2 million and $324.7 million as of the end of fiscal 2008 and 2007. There was no goodwill in our Network Operations segment. Changes in the carrying amount of goodwill for the fiscal years ended June 27, 2008 and June 29, 2007 by segment were as follows:

	2008			2007		
	North America	International	Total	North America	International	Total
			(In millions)	(Restated)		
Balance as of the beginning of year (Restated)	$ 1.9	$322.8	$324.7	$1.9	$ 26.4	$ 28.3
Goodwill from the Stratex acquisition	—	—	—	—	295.0	295.0
Reduction of deferred tax liabilities and other adjustments established in Stratex purchase accounting	—	(41.9)	(41.9)	—	—	—
Reclassification of Stratex goodwill	34.3	(34.3)	—	—	—	—
Translation adjustments related to acquisitions in prior years	—	1.4	1.4	—	1.4	1.4
	$36.2	$248.0	$284.2	$1.9	$322.8	$324.7

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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 as of June 30, 2006	$ —	$ —	$ —	$ —	$ —	$ —	$12.8	$ 12.8
Less accumulated amortization	—	—	—	—	—	—	(6.4)	(6.4)
Net identifiable intangible assets as of 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 as of June 29, 2007	67.2	43.4	27.4	—	1.1	139.1	5.4	144.5
Less: amortization expense fiscal 2008	(7.0)	(2.2)	(3.3)	—	(1.1)	(13.6)	(0.9)	(14.5)
Foreign currency translation	—	—	—	—	—	—	0.1	0.1
Net identifiable intangible assets as of June 27, 2008	$60.2	$ 41.2	$24.1	$ —	$ —	$125.5	$ 4.6	$130.1
Amortization expense 2008	7.0	2.2	3.3	—	1.1	13.6	0.9	14.5
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
Weighted Average Useful Life (in years)	8.6	Indefinite*	8.1	—	—	—	6.6	—

* The tradename "Stratex" has an indefinite life and has been carried on our books as an identifiable intangible asset since January 26, 2007 at $33.0 million. Other tradenames identified have a weighted average useful life of 3.6 years as of June 27, 2008.

At June 27, 2008, we estimate our future amortization of identifiable intangible assets by year as follows:

	Years Ending in June
	(In millions)
2009	$13.4
2010	13.4
2011	13.1
2012	11.7
2013	10.1
Thereafter	35.4
	$97.1

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

Short-term investments and available for sale securities as of June 27, 2008 and June 29, 2007 are as follows:

June 27, 2008	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Market Value
		(In millions)		
Certificates of deposit	$0.6	$—	$—	$0.6
Commercial paper	1.4	—	—	1.4
Corporate notes	1.1	—	—	1.1
	$3.1	$—	$—	$3.1

June 29, 2007	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
	$20.4	$—	$—	$20.4

As of June 27, 2008, all of our short-term investments and available for sale securities have maturity dates of less than one year, with a weighted average maturity of 122 days. As of June 29, 2007, 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 our short-term investments and available for sale securities had maturity dates of less than one year, with a weighted average maturity of 140 days. The auction rate securities held as of June 29, 2007 were sold at face value during fiscal 2008 with no realized gain or loss recognized. Realized gains and losses from the sale of short-term investments and available for sale securities in fiscal 2008, 2007 and 2006 were not significant.

Note G — Accumulated Other Comprehensive Income (Loss)

The changes in components of our accumulated other comprehensive income (loss) during fiscal 2008, 2007 and 2006 are as follows:

	Foreign Currency Translation	Hedging Derivatives	Short-Term Investments and Available for Sale Securities	Total Accumulated Other Comprehensive Income (Loss)
			(In millions)	
Balance as of July 1, 2005	$(14.2)	$ 0.3	$—	$(13.9)
Foreign currency translation	12.7	—	—	12.7
Net unrealized loss on hedging activities, net of tax	—	(0.2)	—	(0.2)
Balance as of June 30, 2006	(1.5)	0.1	—	(1.4)
Foreign currency translation	1.5	—	—	1.5
Net unrealized loss on hedging activities, net of tax	—	(0.1)	—	(0.1)
Balance as of June 29, 2007	—	—	—	—
Foreign currency translation	4.1	—	—	4.1
Net unrealized loss on hedging activities, net of tax	—	(0.3)	—	(0.3)
Balance as of June 27, 2008	$ 4.1	$(0.3)	$—	$ 3.8

Note H — Receivables (Restated)

Our receivables are summarized below:

	June 27, 2008	June 30, 2007
		(Restated)
	(In millions)	
Accounts receivable	$205.5	$188.3
Notes receivable due within one year — net	6.8	3.3
	212.3	191.6
Less allowances for collection losses	(12.6)	(8.5)
	$199.7	$183.1

Note I — Inventories (Restated)

Our inventories are summarized below:

	June 27, 2008	June 29, 2007 (Restated)
	(In millions)	
Finished products	$ 55.5	$ 52.9
Work in process	14.4	17.1
Raw materials and supplies	59.2	68.4
	129.1	138.4
Inventory reserves	(35.6)	(14.2)
	$ 93.5	$124.2

During fiscal 2008, we increased our inventory reserves by $14.7 million relating to inventory impairment as a result of product transitioning and product discontinuance.

Note J — Property, Plant and Equipment

Our property, plant and equipment are summarized below:

	June 27, 2008	June 29, 2007
	(In millions)	
Land	$ 1.3	$ 1.3
Buildings	29.1	30.8
Software developed for internal use	13.9	3.0
Machinery and equipment	121.6	123.3
	165.9	158.4
Less allowances for depreciation and amortization	(90.3)	(78.4)
	$ 75.6	$ 80.0

Depreciation and amortization expense related to plant and equipment, including software amortization, was $16.9 million, $14.5 million and $12.6 million in fiscal 2008, 2007 and 2006.

Note K — Credit Facility, Debt and Subsequent Refinancing Arrangement

Our debt consisted of the following as of June 27, 2008 and June 29, 2007:

	June 27, 2008	June 29, 2007
	(In millions)	
Credit Facility with Bank:		
Term Loan A	$ —	$ 5.7
Term Loan B	8.8	13.8
Other short-term notes	—	1.2
Total	8.8	20.7
Less other short-term notes	—	(1.2)
Less current portion	(5.0)	(10.7)
Long-term debt	$ 3.8	$ 8.8

As part of the Stratex acquisition, we assumed the existing credit facility of Stratex with a commercial bank (the "Original Credit Facility"). The Original Credit Facility allowed 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 27, 2008, the outstanding balance of the long-term or term loan portion of our Original Credit Facility was $8.8 million and there were $8.6 million in outstanding standby letters of credit as of that date defined as usage under the revolving credit portion of the facility. The Original Credit Facility was unsecured. The fair value of our debt as of June 27, 2008 was $9.0 million or $0.2 higher than the carrying value.

Term Loan A of the Original Credit Facility required monthly principal payments of $0.5 million plus interest at a fixed rate of 6.38% through May 2008. This loan was repaid in full, including all accrued interest, in June 2008. Term Loan B required monthly principal payments of $0.4 million plus interest at a fixed rate of 7.25% through March 2010. This loan was also repaid in full, including all accrued interest, on June 30, 2008 with the proceeds of a $10 million short-term borrowing under a new revolving credit facility entered into as of that date, replacing the Original Credit Facility, which was terminated as of that date. Details of the new revolving credit facility are provided below.

The Original Credit Facility agreement contained a minimum tangible net worth covenant and a liquidity ratio covenant. As of June 27, 2008 we were in compliance with these financial covenants.

At June 27, 2008, our future principal payment obligations on long-term debt under the Credit Facility were as follows:

	Years Ending in June
	(In millions)
2009	$5.0
2010	3.8
Total	$8.8

There were no short-term bank debt obligations outstanding as of June 27, 2008, compared to $1.2 million in bank debt obligations outstanding as of June 29, 2007 consisting solely of notes payable to banks. The weighted average interest rate for these notes was 14.0% as of June 29, 2007.

We have uncommitted short-term lines of credit aggregating $1.2 million from various international banks, all of which was available on June 27, 2008. 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.

On June 30, 2008 the Original Credit Facility was terminated and replaced with a new revolving credit facility as of that date (the "New Facility"). The balance of the term loan portion of the Old Facility of $8.8 million was repaid in full with the proceeds of a $10 million borrowing under the New Facility. The standby letters of credit outstanding under the Old Facility as of the termination date remain as an obligation to Silicon Valley Bank. The New Credit Facility provides for an initial committed amount of $70 million with an option for an additional $50 million available with the same or additional banks. The commitment under the facility is currently divided equally between Silicon Valley Bank and Bank of America, with each providing $35 million. The initial term of the New Facility is 3 years and provides for (1) demand borrowings (with no stated maturity date) at the greater of Bank of America's prime rate and the Federal Funds rate plus 0.5%, (2) fixed term Eurodollar loans for six months or more as agreed with the banks at LIBOR plus a spread of between 1.25% to 2.00% based on the company's current leverage ratio and (3) the issuance of standby or commercial letters of credit. The New Facility contains a minimum liquidity ratio covenant and a maximum leverage ratio covenant and is unsecured.

Note L — Accrued Warranties (Restated)

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 27, 2008 and June 29, 2007, were as follows:

	Fiscal Year Ended	
	June 27, 2008	June 29, 2007 Restated
	(In millions)	
Balance as of the beginning of the fiscal year	$ 6.7	$ 3.9
Acquisition of Stratex	—	4.6
Warranty provision for sales made during the fiscal year	8.5	2.8
Settlements made during the fiscal year	(8.4)	(4.7)
Other adjustments to the liability including foreign currency translation during the fiscal year	0.1	0.1
Balance as of the end of the fiscal year	$ 6.9	$ 6.7

Note M — 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 January 2017, which is 10 years from the date of issue. Preference dividends are cumulative and payable quarterly in cash at the rate of 12% per annum. The holders of the redeemable preference shares have liquidation rights in priority of all classes of capital stock of our Singapore subsidiary. The holders of the redeemable preference shares do not have any other participation in, or rights to, our profits, assets or capital shares, and do not have rights to vote as a shareholder of the Singapore subsidiary unless the preference dividend or any part thereof is in arrears and has remained unpaid for at least 12 months after it has been declared. During fiscal 2008 and 2007, preference dividends totaling $1.0 million and $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 N — 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 fair value of each warrant was $1.15 and $7.43 on June 27, 2008 and June 29, 2007, determined based on the Black-Scholes-Merton model with the assumptions listed in the table below.

	June 27, 2008	June 29, 2007
Dividend yield	0%	0%
Expected volatility	58.9%	43.1%
Risk-free interest rate	2.31%	4.91%
Expected holding period	0.67 years	1.25 years

As a result of recording these outstanding warrants at fair value as of June 27, 2008 and June 29, 2007, we recorded the change in fair value during fiscal 2008 and 2007 as $3.3 million and $0.6 million as a reduction 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. No warrants were exercised in fiscal 2008.

Note O — Restructuring Activities

During fiscal 2008, Harris Stratex continued its restructuring activities implemented within the merger restructuring plans approved in connection with the January 26, 2007 merger between the Microwave Communications Division of Harris Corporation and Stratex Networks, Inc. These restructuring plans included the consolidation of facilities and operations of the predecessor entities in Canada, France, the U.S., China, Brazil and, to a lesser extent, Mexico, New Zealand and the United Kingdom.

During fiscal 2008, we recorded an additional $9.3 million of restructuring charges in connection with the implementation of these fiscal 2007 plans. These fiscal 2008 additional charges consist of:

Severance, retention and related charges associated with reduction in force activities totaling $3.4 million ($4.0 in fiscal 2008 charges, less $0.6 million for a reduction in the restructuring liability recorded for Canada and France as of June 29, 2007).

Lease impairment charges totaling $1.8 from implementation of fiscal 2007 plans and changes in estimates related to sub-tenant activity at our U.S. and Canadian locations.

Impairment of fixed assets and leasehold improvements totaling $1.9 million at our Canadian location.

Impairment of a recoverable value-added type tax in Brazil totaling $2.2 million resulting from our scaled down operations and reduced activity which negatively affected the fair value of this recoverable asset (included in "Other current assets" on our consolidated balance sheets).

During the third quarter of fiscal 2007, in connection with the Stratex acquisition on January 26, 2007, 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 related to building lease obligations at four of Stratex' U.S. facilities. During fiscal 2008, we made payments of $4.8 million on these leases, which reduced the liability by $4.1 million, net of $0.7 million in interest expense. Also during the second quarter of fiscal 2008, new information became available with regard to our utilization of the space under these building lease obligations and we reduced our restructuring liability by $1.1 million with an offsetting decrease to goodwill under purchase accounting. Subsequent to the one-year window under purchase accounting, we updated our estimate of the utilization of this space under these lease obligations and increased the liability by $0.5 million with an increase to restructuring 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 $3.8 million, $2.3 million of which related to employee severance benefits, and $1.5 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 had been paid, and $1.1 million of the building lease obligation commitments had 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 and the remaining restructuring liability as of June 27, 2008.

	Severance and Benefits	Facilities and Other	Total
		(In millions)	
Total restructuring liability balance as of 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)
Total restructuring liability balance as of 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 as of June 29, 2007	7.8	10.8	18.6
Provision in fiscal 2008	4.0	5.9	9.9
Release of accrual to statement of operations in fiscal 2008	(0.6)	—	(0.6)
Amount credited to goodwill in fiscal 2008	—	(1.1)	(1.1)
Other adjustments to liability, including foreign currency translation during fiscal 2008	0.6	0.2	0.8
Non-cash charges in fiscal 2008	—	(4.1)	(4.1)
Cash payments in fiscal 2008	(10.0)	(3.2)	(13.2)
Total restructuring liability as of June 27, 2008	$ 1.8	$ 8.5	$ 10.3
Current portion of restructuring liability as of June 27, 2008	$ 1.8	$ 3.3	$ 5.1
Long-term portion of restructuring liability as of June 27, 2008	—	5.2	5.2
Total restructuring liability as of June 27, 2008	$ 1.8	$ 8.5	$ 10.3

We do not anticipate any further restructuring charges under our fiscal year 2007 restructuring plans. The following table summarizes the costs incurred for our fiscal 2007 restructuring plans:

	Total Costs Incurred through June 29, 2007	Total Costs Incurred During the Fiscal Year Ended June 27, 2008	Cumulative Costs Incurred through June 27, 2008
		(In millions)	
North America Microwave:			
Severance and benefits	$5.1	$3.0	$ 8.1
Facilities and other	—	3.7	3.7
Total North America Microwave	$5.1	$6.7	$11.8
International Microwave:			
Severance and benefits	$4.2	$0.4	$ 4.6
Facilities and other	—	2.2	2.2
Total International Microwave	$4.2	$2.6	$ 6.8
Totals	$9.3	$9.3	$18.6

Note P — Share-Based Compensation

As of June 27, 2008, 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 2007 Stock Equity Plan). Shares of Class A common stock remaining available for future issuance under our stock incentive plan totaled 4,389,488 as of June 27, 2008. Our stock incentive plan provides for the issuance of share-based awards in the form of stock options, restricted stock and performance share awards.

We also assumed all of the former Stratex Networks outstanding stock options as of January 26, 2007, as part of the Stratex acquisition. We recognized $2.8 million and $1.5 million in compensation expense relating to services provided during fiscal 2008 and fiscal 2007 for the portion of these stock options that were unvested as of January 26, 2007. During fiscal 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 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.

Finally, some of our employees who were formerly employed by MCD participate in Harris' three shareholder-approved stock incentive plans (the "Harris Plans") under which options or other share-based compensation is outstanding. In total, the compensation expense related to the Harris Plans' share-based awards was $1.4 million, $1.6 million and $1.7 million during fiscal 2008, 2007 and 2006. 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 $7.8 million, $5.7 million and $1.7 million for fiscal 2008, 2007 and 2006. Amounts were included in our Consolidated Statements of Operations as follows:

	2008	2007	2006
	(In millions)		
Cost of product sales and services	$ 1.2	$0.3	$ —
Research and development expenses	1.3	2.0	—
Selling and administrative expenses	5.3	3.4	1.7
Total compensation expense	7.8	5.7	1.7
Less related income tax benefit recognized	(0.7)	—	—
Total net of income tax benefits	$ 7.1	$5.7	$1.7

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 for the expected term of the options from a group of peer companies developed with the assistance of an independent valuation firm. The expected term of the options is calculated using the simplified method described in the SEC's Staff Accounting Bulletins No. 107 and No. 110. We use the simplified method because our stock does not have sufficient trading history and we do not have sufficient stock option exercise data since our company was formed in January 2007. We have used the simplified method to value all of our stock options since January 2007. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. We recognized $1.4 million of expense during fiscal 2008.

A summary of the significant assumptions we used in calculating the fair value of our fiscal 2008 stock option grants is as follows:

Grant Date	December 4, 2007	February 20, 2008	March 18, 2008
Expected dividends	0.0%	0.0%	0.0%
Expected volatility	55.6%	55.5%	55.6%
Risk-free interest rate	3.35%	3.18%	2.62%
Expected term (years)	5.875	5.875	5.875
Stock price on date of grant	$ 16.27	$10.56	$ 8.84
Number of stock options granted	12,470	2,520	5,060
Fair value per option on date of grant	$ 8.91	$ 5.76	$ 4.76

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 the status of stock options under our 2007 Stock Equity Plan as of June 27, 2008 and changes during fiscal 2008, are 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 as of June 29, 2007	312,200	20.15	11.47		
Stock options forfeited or expired	(42,500)	20.40	11.47		
Stock options granted	20,050	13.68	7.47		
Stock options exercised	—	—	—		
Stock options outstanding as of June 27, 2008	289,750	19.67	11.23	5.8	—
Stock options exercisable as of June 27, 2008	147,700	20.14	11.23	5.7	—
Stock options vested and expected to vest as of June 27, 2008(1)	281,280	19.69	11.23	5.8	—

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

The aggregate intrinsic value represents the total pre-tax intrinsic value or the aggregate difference between the closing price of our common stock on June 27, 2008 of $9.58 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 27, 2008. There was no intrinsic value of options exercised during fiscal 2008 since none were exercised.

A summary of the status of our nonvested stock options as of June 27, 2008 granted under our 2007 Stock Equity Plan and changes during fiscal 2008, are as follows:

	Shares	Weighted-Average Grant-Date Fair Value ($)
Nonvested stock options as of June 29, 2007	312,200	11.47
Stock options granted	20,050	7.47
Stock options cancelled	(42,500)	11.47
Stock options vested	(147,700)	11.47
Nonvested stock options as of June 27, 2008	142,050	10.90

As of June 27, 2008, there was $1.4 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 1.2 years. The total fair value of stock options that vested during fiscal 2008 and 2007 was $1.7 million and zero.

Restricted Stock Awards Under our 2007 Stock Equity Plan

The following information relates to awards of restricted stock that were granted to employees and outside directors under our stock incentive plan. The restricted stock is not transferable until vested and the restrictions lapse upon the achievement of continued employment or service over a specified time period. Restricted stock issued to employees cliff vests 3 years after grant date. Restricted stock is issued to directors annually and generally vests ratably on a quarterly basis through the annual service period. We recognized $1.3 million of expense during fiscal 2008. 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 as of June 27, 2008 and changes during fiscal 2008, are as follows:

	Shares	Weighted-Average Grant Date Fair Value
Restricted stock outstanding as of June 29, 2007	135,655	$20.30
Restricted stock granted	53,690	$ 9.68
Restricted stock vested and released	(31,888)	$17.84
Restricted stock forfeited	(13,000)	$20.40
Restricted stock outstanding as of June 27, 2008	144,457	$16.89

As of June 27, 2008, there was $1.5 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 1.3 years. The total fair value of restricted stock that vested during fiscal 2008 and 2007 was $0.6 million and $0.2 million.

Performance Share Awards

The following information relates to awards of performance shares that have been granted to employees under our stock incentive plan. Vesting of performance share awards is subject to performance criteria including meeting net income and cash flow targets for a 29-month plan period ending July 3, 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 at target and recognized $0.9 million of expense during fiscal 2008.

A summary of the status of our performance shares as of June 27, 2008, and changes during fiscal 2008, are as follows:

	Shares	Weighted-Average Grant Date Fair Value
Performance shares outstanding as of June 29, 2007	150,800	$20.15
Performance shares granted	6,900	$15.06
Performance shares vested and released	(11,550)	$20.40
Performance shares forfeited	(21,350)	$20.40
Performance shares outstanding as of June 27, 2008	124,800	$19.80

As of June 27, 2008, there was $1.0 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 1.0 year. The total fair value of performance share awards that vested during fiscal 2008 and 2007 was $0.2 million and zero.

Stock Options Assumed in the Stratex Acquisition

A summary of stock option activity for fiscal 2008 for stock options assumed in the Stratex acquisition is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (In millions)
Stock options outstanding as of June 29, 2007	2,904,516	$23.08		
Stock options forfeited or expired	(257,014)	$26.12		
Stock options exercised	(129,038)	$11.45		
Stock options outstanding as of June 27, 2008	2,518,464	$23.36	2.7	$1.0
Stock options exercisable as of June 27, 2008	2,359,362	$23.86	2.6	$1.0
Stock options vested and expected to vest as of June 27, 2008(1)	2,514,039	$23.37	2.7	$1.0

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

The aggregate intrinsic value represents the total pre-tax intrinsic value or the aggregate difference between the closing price of our Class A common stock on June 27, 2008 of $9.58 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 27, 2008.

The total intrinsic value of options exercised during fiscal 2008 was $0.8 million and for fiscal 2007 (the period from January 26, 2007, date of assumption, through June 29, 2007) was $2.5 million at the time of exercise.

A summary of the status of our nonvested stock options assumed in the Stratex acquisition as of June 27, 2008 and changes during fiscal 2008, are as follows:

	Shares	Weighted Average Grant Date Fair Value ($)
Nonvested stock options as of June 29, 2007	462,520	9.15
Stock options forfeited or expired	(123,214)	9.69
Stock options vested	(180,204)	8.56
Nonvested stock options as of June 27, 2008	159,102	9.38

As of June 27, 2008, there was $1.7 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 0.6 years. The total fair value of stock options assumed in the Stratex acquisition that vested during fiscal 2008 and 2007 was $1.5 million and $1.8 million.

Summary of Harris Stratex Stock Options

The following summarizes all of our stock options outstanding as of June 27, 2008:

	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	622,222	1.9	$ 7.93	613,117	$ 7.92
$10.40 - $ 17.96	1,106,592	3.8	$16.67	928,325	$16.78
$18.04 - $ 27.76	844,154	3.3	$21.80	730,374	$22.01
$28.12 - $148.00	235,246	1.8	$96.71	235,246	$96.71
$ 0.91 - $148.00	2,808,214	3.0	$22.98	2,507,062	$23.64

AWARDS TO FORMER HARRIS EMPLOYEES PRIOR TO THE COMBINATION WITH STRATEX

As mentioned above, some of our employees that were formerly employed by Harris' Microwave Communications Division participate in Harris' three 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 Microwave Communications Division employees since January 26, 2007, the date of the combination with Stratex, and does not intend to make any further awards to our employees under its plans (however, Harris has estimated that certain performance share awards granted prior to the combination result in additional shares to be issued upon completion of the related performance period). The following sets forth the status of those awards as they relate to our financial statements. These costs have been paid to Harris in cash.

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
Expected dividends	1.0%	0.9%
Expected volatility	35.8%	36.1%
Risk-free interest rates	4.8%	4.1%
Expected term (years)	3.42	3.35

A summary of stock option activity under Harris' stock incentive plans during fiscal 2008 as they relate to our consolidated financial statements is as follows:

	2008	
	Shares	Weighted Average Exercise Price
Stock options outstanding at the beginning of the year	362,878	$27.57
Stock options forfeited or expired	(26,850)	$39.85
Stock options exercised	(69,823)	$24.07
Stock options outstanding at the end of the year	266,205	$27.25
Stock options exercisable at the end of the year	232,355	$25.12

The weighted average remaining contractual term for stock options that were outstanding and exercisable as of June 27, 2008 was 3.2 years and 3.0 years. The aggregate intrinsic value for stock options that were outstanding and exercisable as of June 27, 2008 was $6.4 million and $6.1 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 27, 2008 of $51.18 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 27, 2008.

The total intrinsic value of options exercised during fiscal 2008 and 2007 was $2.4 and $2.9 million at the time of exercise.

A summary of the status of Harris' nonvested stock options as of June 27, 2008 as they relate to our consolidated financial statements, and changes during fiscal 2008 are as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested stock options as of June 29, 2007	133,650	$10.55
Stock options vested	(99,800)	$10.34
Nonvested stock options as of June 27, 2008	33,850	$11.17

As of June 27, 2008, there was $0.4 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 0.9 years. The total fair value of stock options that vested during fiscal 2008 and 2007 was approximately $1.0 million and $0.4 million.

Harris Restricted Stock Awards

The following information relates to Harris restricted stock awards that have been granted to former Microwave Communications Division 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. As of June 27, 2008, there were 19,000 shares of restricted stock awards outstanding.

A summary of the status of Harris restricted stock as of June 27, 2008 as it relates to our consolidated financial statements, and changes during fiscal 2008 are as follows:

	Shares	Weighted-Average Grant Price
Restricted stock outstanding as of June 29, 2007	23,000	$39.51
Restricted stock vested	(4,000)	$24.00
Restricted stock outstanding as of June 27, 2008	19,000	$42.77

As of June 27, 2008, there was $0.3 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 1.0 years. The total fair value of restricted stock that vested during fiscal 2008 and 2007 was approximately $0.1 million and zero.

Harris Performance Share Awards

The following information relates to Harris grants of performance share awards and performance share units that have been granted to former Microwave Communications Division 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. As of June 27, 2008 there were 29,245 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. As of June 27, 2008, there were 2,722 shares of performance share units outstanding.

A summary of the status of Harris performance shares as of June 27, 2008 as it relates to our financial statements, and changes during fiscal 2008, are as follows:

	Shares	Weighted-Average Grant Price
Performance shares outstanding as of June 29, 2007	48,389	$36.43
Additional performance shares awarded related to prior years' Harris incentive criteria	6,000	$24.00
Performance shares vested	(18,000)	$24.00
Performance shares forfeited	(4,422)	$41.92
Performance shares outstanding as of June 27, 2008	31,967	$40.33

As of June 27, 2008, there was $0.2 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 1.02 years. The total fair value of performance share and performance share units that vested during fiscal 2008 and 2007 was approximately $0.4 million and $0.3 million.

Other Harris Share-Based Compensation

Prior to January 27, 2007, under Harris' domestic retirement plans, most Microwave Communications Division 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 was charged to compensation expense in the period of the related purchase.

Note Q — Business Segments (Restated)

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

Revenue	2008	2007	2006
		(In millions)	
North America Microwave	$232.4	$216.3	$168.1
International Microwave	461.7	272.2	172.3
Network Operations	24.3	19.4	17.1
Total Revenue	$718.4	$507.9	$357.5

(Loss) Income Before Income Taxes (Restated)	2008(1)	2007(2) (Restated)	2006(3) (Restated)
		(In millions)	
Segment Operating (Loss) Income:			
North America Microwave	$ (9.4)	$ 6.3	$ 14.8
International Microwave	(5.7)	(31.3)	(34.8)
Network Operations	1.4	1.3	1.1
Corporate allocations expense from Harris	—	(3.7)	(12.4)
Net interest expense	(0.2)	(0.5)	(0.5)
Loss before income taxes	$(13.9)	$(27.9)	$(31.8)

(1) During fiscal 2008, in our International Microwave segment, we recorded $11.9 million in amortization of developed technology, tradenames, customer relationships, and non-compete agreements, $1.7 million in amortization of the increase in fair value of fixed assets related to the acquisition of Stratex, $2.6 million in restructuring charges, $6.1 million in merger related integration charges and $1.8 million of inventory mark-downs.

In addition, in our North America Microwave segment, we recorded $2.7 million in amortization of developed technology, tradenames, customer relationships, and non-compete agreements, $1.1 million in amortization of the increase in fair value of fixed assets related to the acquisition of Stratex, $4.9 million in restructuring charges and $3.2 million in merger-related integration charges, $12.9 million of inventory mark-downs and impairment related to product transitioning and $1.8 million of lease impairments.

(2) During fiscal 2007, in our International Microwave segment, 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, in our North America Microwave segment, 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.

(3) The operating loss in the International Microwave segment in fiscal 2006 included $39.4 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 to unaffiliated customers for fiscal 2008, 2007 and 2006 are as follows:

	2008	% of Total	2007	% of Total	2006	% of Total
			(In millions)			
United States	$192.3	26.8%	$168.7	33.2%	$143.9	40.2%
Canada	32.2	4.5%	39.9	7.8%	29.9	8.4%
Nigeria	137.6	19.2%	55.4	10.9%	81.3	22.7%
Other	356.3	49.5%	243.9	48.1%	102.4	28.7%
Total	$718.4	100.0%	$507.9	100.0%	$357.5	100.0%

Long-lived assets consisted primarily of identifiable intangible assets, goodwill and property, plant and equipment. Long-lived assets by location as of June 27, 2008 and June 29, 2007 are as follows:

	2008	2007 (Restated)
	(In millions)	
United States	$219.8	$222.1
Singapore	237.1	261.2
Canada	32.6	38.7
United Kingdom	12.4	13.7
Other countries	19.7	30.2
Total	$521.6	$565.9

Note R — Income Taxes (Restated)

Loss from continuing operations before provision (benefit) for income taxes during fiscal 2008, 2007 and 2006 is as follows:

	2008	2007 (Restated)	2006 (Restated)
		(In millions)	
United States	$(69.9)	$(33.4)	$(10.4)
Foreign	56.0	5.5	(21.4)
Total	$(13.9)	$(27.9)	$(31.8)

Provision (benefit) for income taxes for fiscal 2008, 2007 and 2006 are summarized as follows:

	2008	2007 (Restated)	2006 (Restated)
		(In millions)	
Current provision (benefit):			
United States	$ —	$ —	$ —
Foreign	5.5	6.9	1.1
State and local	—	—	—
Total current provision (benefit)	5.5	6.9	1.1
Deferred provision (benefit):			
United States	(16.5)	(11.7)	—
Foreign	10.8	(0.8)	—
State and local	(1.8)	(0.5)	5.7
Total deferred provision (benefit)	(7.5)	(13.0)	5.7
	$ (2.0)	$ (6.1)	$6.8

The following table summarizes the significant differences between the U.S. Federal statutory tax rate and our effective tax rate for fiscal 2008, 2007 and 2006:

	2008	2007 (Restated)	2006 (Restated)
		(In millions)	
Statutory U.S. Federal tax rate	(35.0)%	(35.0)%	(35.0)%
U.S. valuation allowances	113.2	9.0	35.0
State and local taxes, net of U.S. Federal tax benefit	(12.9)	(1.9)	—
Foreign income taxed at rates less than the U.S. statutory rate	(85.5)	4.2	23.4
Other	5.8	1.8	—
Effective tax rate	(14.4)%	(21.9)%	23.4%

The components of deferred tax assets and liabilities are as follows:

	June 27, 2008		June 29, 2007	
	Current	Non-Current	Current (Restated)	Non-Current (Restated)
		(In millions)		
Deferred tax assets:				
Inventory	$ 18.7	$ —	$ 13.4	$ —
Accruals	5.7	—	2.4	—
Unrealized impairment loss	0.1	1.1	1.1	—
Other reserves and accruals	1.9	—	1.9	—
Bad debts	2.6	—	1.0	—
Warranty reserve	2.5	0.2	3.2	—
Deferred costs	0.5	—	0.6	—
Depreciation	—	2.0	—	1.3
Amortization	—	—	—	0.8
Other foreign	3.0	—	3.5	—
Stock options	—	3.1	—	0.7
Severance and restructuring costs	2.9	5.0	6.6	—
Other	0.3	1.1	0.5	1.0
Capital loss carryforward	—	7.6	—	7.6
Tax credit carryforwards	—	25.2	—	20.8
Tax loss carryforwards	—	95.0	0.1	45.7
Total deferred tax assets	38.2	140.3	34.3	77.9
Valuation allowance	(24.2)	(92.7)	(30.2)	(66.7)
Net deferred tax assets	14.0	47.6	4.1	11.2
Deferred tax liabilities:				
Amortization	—	1.8	—	—
Purchased identifiable intangible assets	—	30.5	—	36.9
Internally developed software	—	5.3	—	3.7
Unrealized exchange gain/loss	1.4	—	—	—
Total deferred tax liabilities	1.4	37.6	—	40.6
Net deferred tax asset (liability)	$ 12.6	$ 10.0	$ 4.1	$(29.4)

The restatement of our previously issued financial statements had an impact on our income tax provision or benefit for fiscal 2007, as well as on our deferred tax accounts as of June 29, 2007. Amounts presented in this

footnote reflect the income tax effect relating to the accounts restated, specifically inventory and receivables. See Note D — *Restatement of Previously Issued Financial Statements,* for additional information.

United States income taxes have not been provided on undistributed earnings of foreign subsidiaries of $73.1 million and $6.4 million as of June 27, 2008 and June 29, 2007 because of our intention to reinvest these earnings indefinitely. The determination of unrecognized deferred U.S. tax liability for foreign subsidiaries is not practicable. Tax loss and credit carryforwards as of June 27, 2008 have expiration dates ranging between one year to no expiration in certain instances. The amount of U.S. tax loss carryforwards as of June 27, 2008 and June 29, 2007 was $198.5 million and $108.0 million. Tax credit carryforwards as of June 27, 2008 and June 29, 2007 was $24.8 million and $20.8 million. The amount of foreign tax loss carryforwards for June 27, 2008 and June 29, 2007 was $40.2 million and $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 as a result of a change of ownership. Income taxes paid were $2.2 million and $6.6 million for the year ended June 27, 2008 and the year ended June 29, 2007.

The effective tax rate in the fiscal year ended June 27, 2008 was impacted unfavorably by a valuation allowance recorded on certain deferred tax assets, certain purchase accounting adjustments and foreign tax credits where it was determined it was not more likely than not that the assets would be realized. The net change in the valuation allowance during the year ended June 27, 2008 was an increase of $15.7 million.

For the period ending June 29, 2007, a net deferred tax liability in the amount of $40.8 million was recognized in accordance with Statement 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, a valuation allowance under purchase accounting on $94.0 million of acquired deferred tax assets was recorded on the opening balance sheet. A valuation allowance was recorded because it was determined it was not more likely than not that the assets would be realized. Any realization of these deferred tax assets in the future would be reflected as a reduction to goodwill. During the year ended June 27, 2008, deferred tax assets in the amount of $30.7 million were realized as a reduction to this goodwill. Accordingly, the valuation allowance was reduced by the same amount. The portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be allocated to reduce goodwill is $63.3 million as of June 27, 2008.

We established our International Headquarters in Singapore and received a favorable tax ruling resulting from an application filed by us with the Singapore Economic Development Board (“EDB”) effective January 26, 2007. This favorable tax ruling calls for a 10% effective tax rate to be applied over a five year period provided certain milestones and objectives are met. We are confident we will meet all the requirements as outlined by EDB.

We entered into a tax sharing agreement with Harris Corporation effective on January 26, 2007, the date of the merger. The tax sharing agreement addresses, among other things, the settlement process associated with pre-merger tax liabilities and tax attributes that are attributable to the MCD business when it was a division of Harris Corporation. There were no settlement payments recorded in the fiscal years ended June 27, 2008 or 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 FIN 48. The adoption of FIN 48 increased our retained deficit by less than $0.1 million as of June 30, 2008.

As of June 27, 2008 and June 29, 2007, we had a liability for unrecognized tax benefits of $29.6 million and $28.0 million for various federal, foreign, and state income tax matters. Unrecognized tax benefits increased by $1.6 million, a majority of which was recorded as an increase to the unrecognized benefit related to the amortization of intellectual property in Singapore. If the unrecognized tax benefits associated with these positions are ultimately recognized, they would not have a material impact on our effective tax rate or financial position.

We account for interest and penalties related to unrecognized tax benefits as part of our provision for federal, foreign, and state income tax expenses. We accrued an additional amount for such interest of less than $0.1 million in the year ended June 27, 2008. No penalties have been accrued. We have accrued less than $0.1 million as of June 29, 2007 for the payment of any such interest.

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

We have a number of years with open tax audits which vary from jurisdiction to jurisdiction. Our major tax jurisdictions include the U.S., Nigeria, Singapore, New Zealand, Poland, South Africa, France, and the UK. The earliest years still open and subject to ongoing audits as for purposes of FIN 48 for these jurisdictions are as follows: (i) United States (Federal/State) — 2004/2003; (ii) Nigeria — 2003; (iii) Singapore — 2000; (iv) New Zealand — 2003; (v) Poland — 2003; (vi) South Africa — 2001; (vii) France — 2005; and (viii) UK — 2006.

Our unrecognized tax benefit activity for fiscal 2008 is as follows (in millions):

Unrecognized tax benefit as of June 30, 2007	$28.0
Additions for tax positions in prior periods	2.6
Decreases for tax positions in prior periods	(1.0)
Unrecognized tax benefit as of June 27, 2008	$29.6

Note S — 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 those services were billed to us primarily based on actual usage. On January 26, 2007, we entered into a Transition Services Agreement with Harris to provide for certain services during the periods subsequent to the Stratex acquisition. These services also 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 fiscal 2008, 2007 and 2006, Harris charged us $7.0 million, $6.8 million and $5.6 million for these services.

We have sales to, and purchases from, other Harris entities from time to time. Prior to January 26, 2007, 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 January 26, 2007, these purchases and sales are recorded at market price. Our sales to other Harris entities were $3.5 million, $1.9 million and $6.5 million in fiscal 2008, 2007 and 2006. We also recognized costs associated with related party purchases from Harris of $6.1 million, $6.7 million and $12.7 million for fiscal 2008, 2007 and 2006.

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

Additionally, through the date of the Stratex acquisition, Harris loaned cash to us to fund our international entities, and we distributed excess cash 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 in fiscal 2007 and 2006 was not significant.

The unpaid amounts billed from Harris are included within "Due to Harris Corporation" on our 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 our Consolidated Balance Sheets. Total receivables from Harris were $4.0 million and $0.7 million as of June 27, 2008 and June 29, 2007. Total payables to Harris were $20.8 million and $17.9 million as of June 27, 2008 and June 29, 2007.

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. As of June 27, 2008, our lease obligation to Harris was $2.6 million of which $1.3 million is a current liability and the related asset amount, net of accumulated amortization of $2.1 million is included in 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.

During the first quarter of fiscal 2008, we recognized an impairment charge of $1.3 million on a portion of these assets which is included in our restructuring charges. We also recognized an increase of $0.4 million to the lease obligation balance during fiscal 2008 from a recapitalization under the lease terms, primarily because of the impairment charge discussed above and a rescheduling of the lease payments. During fiscal 2008, we paid Harris $3.8 million under this capital lease obligation resulting from the $1.3 million impairment discussed above and the lease payments. Our amortization expense on this capital lease was $1.8 million and $0.8 million in fiscal 2008 and fiscal 2007. As of June 27, 2008, the future minimum payments for this lease are $1.4 million for fiscal 2009, $0.8 million for fiscal 2010, $0.5 million for fiscal 2011 and $0.2 million for fiscal 2012.

Note T — 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 fiscal year 2015.

Rental expense for operating leases, including rentals on a month-to-month basis was $13.6 million in fiscal 2008, $6.1 million in fiscal 2007, and $4.0 million in fiscal 2006.

As of June 27, 2008, our future minimum commitments for all non-cancelable operating facility and equipment leases with an initial lease term in excess of one year are as follows:

	Fiscal Years Ending in June
	(In millions)
2009	$ 9.7
2010	7.6
2011	4.6
2012	0.5
Thereafter	0.2
Total	$22.6

These commitments do not contain any material rent escalations, rent holidays, contingent rent, rent concessions, leasehold improvement incentives or unusual provisions or conditions. We do not consider any of these individual leases material to our operations.

Note U — 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 inter-company loans. We believe the use of foreign currency financial instruments reduces the risks that arise from

doing business in international markets. As of June 27, 2008, we had open foreign exchange contracts with a notional amount of $80.4 million ($52.5 million as of June 29, 2007), of which $19.2 million ($15.1 million as of June 29, 2007) were designated as Statement 133 hedges and $61.2 million ($37.4 million as of June 29, 2007) were not designated as Statement 133 hedges. As of June 27, 2008, contract expiration dates ranged from less than one month to 3 months with a weighted average contract life of less than one month. 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.

During fiscal 2008, we recognized $6.1 million as an increase to cost of products sold in our Statement of Operations from foreign exchange contract activity. During fiscal 2007 and 2006, gains or losses from foreign exchange contract activity were not significant. As of June 27, 2008, we estimated that a pre-tax loss of $0.3 million would be reclassified into earnings from accumulated other comprehensive income within the next three months related to these cash flow hedges.

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 Consolidated Statements of Operations in fiscal 2008, 2007 and 2006 representing hedge ineffectiveness were not significant. All of these derivatives were recorded at their fair value on our Consolidated Balance Sheets in accordance with Statement 133.

Note V — Legal Proceedings

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.

We and certain of our executive officers were named in a federal securities class action complaint filed on September 15, 2008 in the United States District Court for the District of Delaware by plaintiff Norfolk County Retirement System on behalf of an alleged class of purchasers of our securities from January 29, 2007 to July 30, 2008, including shareholders of Stratex Networks, Inc. who exchanged shares of Stratex Networks, Inc. for our shares as part of the merger between Stratex Networks and the Microwave Communications Division of Harris Corporation. This action relates to the restatement of our prior financial statements, as discussed more fully in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations (Restated)" and in Item 8 "Financial Statements and Supplementary Data (Restated)" under Note D "Restatement of Previously Issued Financial Statements" to our consolidated financial statements. A similar complaint was filed in the United States District Court of Delaware on September 18, 2008. Each complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, as well as violations of Sections 11 and 15 of the Securities Act of 1933 and seeks, among other relief, determinations that the action is a proper class action, unspecified compensatory damages and reasonable attorneys' fees and costs. We believe that we have meritorious defenses and intend to defend ourselves vigorously.

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

Note W — Quarterly Financial Data (Unaudited) (Restated)

The following financial information reflects all normal recurring adjustments, which are, in the opinion of management, necessary for a fair statement of the results of the interim periods. Our fiscal quarters end on the Friday nearest the end of the calendar quarter. Summarized quarterly data for fiscal 2008 and 2007 are as follows:

	1st Quarter 09-28-2007 (Restated)	2nd Quarter 12-28-2007 (Restated)	3rd Quarter 03-28-2008 (Restated)	4th Quarter 06-27-2008
	(In millions, except share amounts)			
Fiscal 2008				
Revenue	$172.3	$181.1	$178.2	$186.8
Gross margin	$ 47.0	$ 49.0	$ 50.3	$ 43.9
(Loss) income from operations	$ (0.0)	$ (4.4)	$ 5.8	$ (15.1)
Net (loss) income	$ (0.2)	$ (3.2)	$ 5.2	$ (13.7)
Per share data(1):				
Basic net (loss) income per share of Class A and Class B common stock	$ (0.0)	$ (0.05)	$ 0.09	$ (0.23)
Diluted net (loss) income per share of Class A and Class B common stock(2)	$ (0.0)	$ (0.05)	$ 0.05	$ (0.23)
Market price range of one share of Class A Common Stock:				
High	$20.90	$19.97	$18.75	$11.44
Low	$15.90	$15.41	$ 8.53	$ 8.88

	1st Quarter 09-29-2006 (Restated)	2nd Quarter 12-29-2006 (Restated)	3rd Quarter 03-30-2007 (Restated)	4th Quarter 06-29-2007 (Restated)
	(In millions, except share amounts)			
Fiscal 2007				
Revenue	$93.6	$101.2	$139.0	$174.1
Gross margin	$31.5	$ 33.5	$ 33.7	$ 48.0
Income (loss) from operations	$ 6.0	$ 4.9	$ (25.0)	$ (13.3)
Net income (loss)	$ 5.5	$ 4.5	$ (24.6)	$ (7.2)
Per share data(1):				
Basic and diluted net loss per share of Class A and Class B common stock(3)	N/A	N/A	$ (0.61)	$ (0.12)
Market price range of one share of Class A Common Stock(3):				
High	N/A	N/A	$21.25	$20.07
Low	N/A	N/A	$18.23	$14.85

(1) The net income (loss) per common share amounts are the same for Class A and Class B because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation. Net income (loss) per share are computed independently for each of the quarters presented. Therefore, the sum of the quarterly per share totals may not equal the total for the year.

(2) During the third quarter of fiscal 2008, the calculations of diluted earnings per share include a potential deduction to net income of $2.1 million for the assumed after-tax effect of the change in fair value of warrants using the "treasury stock" method.

(3) Prior to January 26, 2007, the Company was a division of Harris Corporation and there were no shares outstanding for purposes of net income or 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. Our Class A common stock began trading on the NASDAQ Global Market on January 30, 2007 under the symbol HSTX. Therefore, the sum of the quarterly net loss per share totals will not equal the total for the year.

We have not paid cash dividends on our Common Stock and do not intend to pay cash dividends in the foreseeable future. As of June 27, 2008, we had approximately 230 stockholders of record of our Class A common stock and one shareholder of record of our Class B common stock.

The following tables present the impact of the restatement adjustments on our previously reported unaudited quarterly consolidated statements of operations for each of the quarters during fiscal 2008 and 2007.

Fiscal 2008

	For the Quarter Ended September 28, 2007		
	As Previously Reported	Adjustments	As Restated
		(In millions)	
Revenue	$172.3	$ —	$172.3
Gross margin	49.1	(2.1)	47.0
Loss from operations	(1.0)	1.0	—
Net loss	$ (0.8)	$ 0.6	$ (0.2)
Basic and diluted net loss per common share	$ (0.01)	$ —	$ —

	For the Quarter Ended December 28, 2007		
	As Previously Reported	Adjustments	As Restated
		(In millions)	
Revenue	$181.1	$ —	$181.1
Gross margin	49.3	(0.3)	49.0
Loss from operations	(0.8)	(3.6)	(4.4)
Net loss	$ (1.0)	$ (2.2)	$ (3.2)
Basic and diluted net loss per common share	$ (0.02)	$(0.03)	$ (0.05)

	For the Quarter Ended March 28, 2008		
	As Previously Reported	Adjustments	As Restated
		(In millions)	
Revenue	$178.2	$ —	$178.2
Gross margin	53.0	(2.7)	50.3
Income from operations	9.2	(3.4)	5.8
Net income	7.3	(2.1)	5.2
Basic net income per common share	$ 0.12	$(0.03)	$ 0.09
Diluted net income per common share	$ 0.09	$(0.04)	$ 0.05

Fiscal 2007

	For the Quarter Ended September 29, 2006		
	As Previously Reported	Adjustments	As Restated
		(In millions)	
Revenue	$93.6	$ —	$93.6
Gross margin	30.8	0.7	31.5
Income from operations	5.3	0.7	6.0
Net income	4.8	0.7	5.5
Basic and diluted net income per common share	N/A	—	N/A

	For the Quarter Ended December 29, 2006		
	As Previously Reported	Adjustments	As Restated
		(In millions)	
Revenue	$101.2	$ —	$101.2
Gross margin	34.8	(1.3)	33.5
Income from operations	6.2	(1.3)	4.9
Net income	5.8	(1.3)	4.5
Basic and diluted net income per common share	N/A	—	N/A

	For the Quarter Ended March 30, 2007		
	As Previously Reported	Adjustments	As Restated
		(In millions)	
Revenue	$139.0	$ —	$139.0
Gross margin	36.0	(2.3)	33.7
Loss from operations	(22.7)	(2.3)	(25.0)
Net loss	(23.2)	(1.4)	(24.6)
Basic and diluted net loss per common share	(0.58)	(0.03)	(0.61)

	For the Quarter Ended June 29, 2007		
	As Previously Reported	Adjustments	As Restated
		(In millions)	
Revenue	$174.1	$ —	$174.1
Gross margin	51.1	(3.1)	48.0
Loss from operations	(10.2)	(3.1)	(13.3)
Net loss	(5.3)	(1.9)	(7.2)
Basic and diluted net loss per common share	(0.09)	(0.03)	(0.12)

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.***

None.

Item 9A. ***Controls and Procedures.***

Evaluation of Disclosure Controls and Procedures

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

Management has conducted an evaluation, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a — 15(e) and 15d — 15(e) of the Securities Exchange Act of 1934) as of June 27, 2008. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of June 27, 2008 due to the material weaknesses in internal control over financial reporting described below. Notwithstanding these material weaknesses, our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that our consolidated financial statements for the periods covered by and included in this Annual Report on Form 10-K are fairly presented in all material respects in accordance with accounting principles generally accepted in the United States of America (GAAP) for each of the periods presented herein.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has concluded that the Company's internal control over financial reporting was not effective as of June 27, 2008 as a result of material weaknesses identified during this evaluation. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

As of June 27, 2008, we identified the following material weaknesses:

- Project cost variances within a cost accounting system at one location were recorded on the balance sheet to project work in process inventory accounts and not recorded to cost of sales in the period to which they related. Management has identified a lack of sufficient oversight and review as well as a lack of the appropriate number of resources to ensure adequate analysis of work in process inventory accumulated costs. Specifically, controls over the review of project costs did not operate effectively to ensure work in process inventory was properly relieved of costs. Another contributing factor to this failure was incomplete reporting within the cost accounting system for that location. In addition, the operation of controls over the reconciliation of accounts did not properly address the aging of balances in project work in process inventory accounts.

- The Company's process for reconciling certain balance sheet accounts did not prevent, or detect on a timely basis, errors in classification and reporting of certain accounts. Specifically, account reconciliations related to certain payables, receivables, and inventory balance sheet accounts and related income statement accounts included erroneous and aged reconciling items. The principal factor contributing to the material weakness in account reconciliations was insufficient or ineffective preparation, review, and approval of the account reconciliations resulting in errors not being prevented or detected.

The material weaknesses resulted in a restatement to the Company's interim consolidated financial statements for the first three fiscal quarters of fiscal 2008 (the quarters ended March 28, 2008, December 28, 2007 and September 28, 2007) and the fiscal years ended June 29, 2007, June 30, 2006, and July 1, 2005.

The effectiveness of the Company's internal control over financial reporting as of June 27, 2008 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included in this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting — Plan for Remediation of Material Weaknesses

In response to the identified material weaknesses, our management, with oversight from the Company's Audit Committee, has dedicated significant in-house and external resources to implement enhancements to the Company's internal control over financial reporting and remediate the material weaknesses described above. The material weaknesses will continue to exist until the following remediation steps are fully implemented:

Project Cost Variances

- Management will generate and review a project work in process exposure report each quarter to ensure work in process is properly relieved of costs.
- Management will train the appropriate associates in the methods of review of the project costs and will create a high-level awareness of the importance of thorough project cost reviews.
- Management will ensure the timely closing of projects.
- Management will ensure that project costs are properly reconciled and evaluated for aging balances on a quarterly basis.

Account Reconciliations

- Management will complete the on-going implementation of software tools to track the account reconciliation process.
- Management will institute the processes necessary to ensure the timely completion of account reconciliations supported by a sub-ledger or other independent documentation or calculation.
- Management will dedicate appropriate resources to ensure thorough and timely reviews of account reconciliations and resolution of aged balances and reconciling items.

Item 9B. ***Other Information.***

None.

PART III

Certain information required by Part III is omitted from this Annual Report on Form 10-K because we will file a Definitive Proxy Statement with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended June 27, 2008.

Item 10. *Directors, Executive Officers and Corporate Governance.*

We adopted a Code of Business Ethics, that is available at www.harrisstratex.com. No amendments to our Code of Business Ethics, or waivers from our Code of Business Ethics with respect to any of our executive officers or directors have been made. If, in the future, we amend our Code of Business Ethics or grant waivers from our code of Business Ethics with respect to any of our executive officers or directors, we will make information regarding such amendments or waivers available on our corporate website (www.harrisstratex.com) for a period of at least 12 months.

Information regarding our directors and compliance with Section 16(a) of the Securities and Exchange Act of 1934, as amended, by our directors and executive officers will appear in our definitive Proxy Statement for our 2008 Annual Meeting of Shareholders to be held on November 20, 2008 and is incorporated herein by reference.

Item 11. *Executive Compensation.*

Information regarding our executive compensation will appear in our definitive Proxy Statement for our 2008 Annual Meeting of Shareholders to be held on November 20, 2008 and is incorporated herein by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

Equity Compensation Plan Summary

The following table provides information as of June 27, 2008, relating to our equity compensation plan pursuant to which grants of options, restricted stock and performance shares may be granted from time to time and the option plans and agreements assumed by us in connection with the Stratex acquisition:

Plan Category	Number of Securities to be Issued Upon Exercise of Options and Vesting of Restricted Stock and Performance Shares	Weighted-Average Exercise Price of Outstanding Options(1)	Number of Securities Remaining Available for Further Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity Compensation plan approved by security holders(2)	559,007	$19.67	4,389,488
Equity Compensation plans not approved by security holders(3)	2,518,464	$23.36	—
Total	3,077,471	$22.98	4,389,488

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

For further information on our equity compensation plans see "Note B — Significant Accounting Policies" and "Note O — Share-Based Compensation" in the Notes to Consolidated Financial Statements included in Item 8.

The other information required by this item will appear in our definitive Proxy Statement for our 2008 Annual Meeting of Shareholders to be held on November 20, 2008 and is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence.***

Information regarding certain relationships and related transactions, and director independence will appear under "Transactions with Related Persons" and "Corporate Governance" in our definitive Proxy Statement for our 2008 Annual Meeting of Shareholders to be held on November 20, 2008 and is incorporated herein by reference.

Item 14. ***Principal Accountant Fees and Services.***

Information regarding our principal accountant fees and services will appear in our definitive Proxy Statement for our 2008 Annual Meeting of Shareholders to be held on November 20, 2008 and is incorporated herein by reference.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules.***

a) 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	68
— Report of Independent Registered Public Accounting Firm	69
— Consolidated Statements of Operations — Fiscal Years ended June 27, 2008; June 29, 2007 (Restated); and June 30, 2006 (Restated)	70
— Consolidated Balance Sheets — June 27, 2008 and June 29, 2007 (Restated)	71
— Consolidated Statements of Cash Flows — Fiscal Years ended June 27, 2008; June 29, 2007 (Restated); and June 30, 2006 (Restated)	72
— Consolidated Statement of Shareholders' Equity and Comprehensive Loss — Fiscal Years ended June 27, 2008; June 29, 2007 (Restated); and June 30, 2006 (Restated)	73
— Notes to Consolidated Financial Statements (Restated)	74
(2) Financial Statement Schedules:	
For each of the Fiscal Years ended June 27, 2008; June 29, 2007; and June 30, 2006 — Schedule II — Valuation and Qualifying Accounts and Reserves	134

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)

Ex. #	Description
2.2	Letter Agreement, dated as of January 26, 2007, among Harris Corporation, Stratex Networks, Inc., Harris Stratex Networks, Inc. and Stratex Merger Corp. (incorporated by reference to Exhibit 2.1.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
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 (incorporated herein by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2007 filed with the Securities and Exchange Commission on August 27, 2007. File No. 001-33278)
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)
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)
10.3	Intellectual Property Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.4 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.4	Trademark and Trade Name License Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.5 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.5	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)
10.6	Transition Services Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.7 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.7	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)
10.8	NetBoss Service Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.9 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.9	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)
10.10	Tax Sharing Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.11 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.11	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)
10.12*	Employment Agreement, effective as of April 8, 2008, between Harris Stratex Networks, Inc. and Harald J. Braun (incorporated by reference to the Report on Form 8-K filed with the Securities and Exchange Commission on April 9, 2008, File No. 001-33278)

Ex. #	Description
10.13*	Restated Employment Agreement, dated as of May 14, 2002, by and between Stratex Networks, Inc. and Charles D. Kissner (incorporated by reference to Exhibit 10.7 to the Annual Report on Form 10-K of Stratex Networks, Inc. for the Fiscal Year Ended March 31, 2003, File No. 000-15895)
10.13.1*	Third Amendment to Employment Agreement, dated as of December 15, 2006, by and between Stratex Networks, Inc. and Charles D. Kissner (incorporated by reference to Exhibit 10.29 to Amendment No. 2 to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on December 18, 2006, File No. 333-137980)
10.14*	Standard Form of Executive Employment Agreement between Harris Stratex Networks, Inc. and certain executives (incorporated by reference to Exhibit 10.16 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.15	Form of Indemnification Agreement between Harris Stratex Networks, Inc. and its directors and certain officers (incorporated by reference to Exhibit 10.16 to the Registration Statement on Form S-1 of Stratex Networks, Inc., File No. 33-13431)
10.16	Sublicense Agreement, effective as of January 26, 2007, between Harris Stratex Networks, Inc. and Harris Stratex Networks Operating Corporation (incorporated herein by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2007 filed with the Securities and Exchange Commission on August 27, 2007. File No. 001-33278)
10.17*	Harris Stratex Networks, Inc. Annual Incentive Plan
10.18	Harris Stratex Networks, Inc. 2007 Stock Equity Plan (incorporated by reference to Exhibit 4.9 to the Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 5, 2007, File No. 333-140442)
10.19	Credit Agreement between Harris Stratex Networks, Inc., Harris Stratex Networks Operating Corporation, Harris Stratex Networks(S) Pte. Ltd., Bank of America, N.A., Silicon Valley Bank, Banc of America Securities Asia Limited and Banc of America Securities LLC, dated June 30, 2008
10.20	Amended and Restated Loan and Security Agreement between Stratex Networks, Inc. and Silicon Valley Bank, dated January 21, 2004 (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of Stratex Networks, Inc. on January 22, 2004, File No. 000-15895)
10.20.1	Amendment No. 5 to Amended and Restated Loan and Security Agreement between Harris Stratex Networks Operating Corporation, a wholly owned subsidiary of Harris Stratex Networks, Inc. and the successor to Stratex Networks, Inc. and Silicon Valley Bank, dated February 23, 2007 (incorporated herein by reference to Exhibit 10.28.5 to the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2007 filed with the Securities and Exchange Commission on August 27, 2007. File No. 001-33278)
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 contract, arrangement or plan required to be filed as an exhibit pursuant to Item 15(b) of this report.

SIGNATURES

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

HARRIS STRATEX NETWORKS, INC.
(Registrant)

By: /s/ Harald J. Braun

Harald J. Braun
President and Chief Executive Officer

Date: September 25, 2008

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/ Harald J. Braun Harald J. Braun	President, Chief Executive Officer and Director (Principal Executive Officer)	September 25, 2008
/s/ Sarah A. Dudash Sarah A. Dudash	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	September 25, 2008
/s/ Charles D. Kissner Charles D. Kissner	Chairman of the Board	September 25, 2008
/s/ Eric C. Evans Eric C. Evans	Director	September 25, 2008
/s/ William A. Hasler William A. Hasler	Director	September 25, 2008
/s/ Clifford H. Higgerson Clifford H. Higgerson	Director	September 25, 2008
/s/ Howard L. Lance Howard L. Lance	Director	September 25, 2008
/s/ Dr. Mohsen Sohi Dr. Mohsen Sohi	Director	September 25, 2008
/s/ James C. Stoffel James C. Stoffel	Director	September 25, 2008
/s/ Edward F. Thompson Edward F. Thompson	Director	September 25, 2008

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

Years Ended June 27, 2008, June 29, 2007 and June 30, 2006

	Balance at Beginning of Period ($)	Additions (1) Charged to Costs and Expenses ($)	Additions (2) Charged to Other Accounts Describe ($)	(Additions) Deductions Describe ($)	Balance at End of Period ($)
			(In millions)		
Allowances for collection losses:					
Year ended June 27, 2008	8.5	3.7	—	(0.4)(A)	12.6
Year ended June 29, 2007	8.1	1.5	—	1.1(B)	8.5
Year ended June 30, 2006	7.3	4.2	—	3.4(C)	8.1
Inventory reserves:					
Year ended June 27, 2008	14.2	24.6	—	3.2(D)	35.6
Year ended June 29, 2007	18.2	3.2	—	7.2(E)	14.2
Year ended June 30, 2006	32.9	38.5	—	53.2(F)	18.2
Deferred tax asset valuation allowance(G):					
Year ended June 27, 2008	96.9	15.6	4.4(H)	—	116.9
Year ended June 29, 2007	69.2	2.6	25.1(H)	—	96.9
Year ended June 30, 2006	50.4	18.8	—	—	69.2

Note A — Consists of changes to allowance for collection losses of $0.5 million for foreign currency translation gains and $0.1 million for uncollectible accounts charged off, net of recoveries on accounts previously charged off.

Note B — Consists of additions to allowance for collection losses of $0.2 million for foreign currency translation gains, $0.8 million in additions from the acquisition of Stratex Networks and deductions of $2.1 million for uncollectible accounts charged off, net of recoveries on accounts previously charged off.

Note C — Consists of additions to allowance for collection losses of $0.3 million for foreign currency translation gains and deductions of $3.7 million for uncollectible accounts charged off, net of recoveries on accounts previously charged off.

Note D — Consists of additions to inventory reserves of $0.3 million for foreign currency translation gains, $4.9 million in deductions from obsolescence and excess inventory charged off and $1.4 million in other inventory reserve adjustments.

Note E — Consists of additions to inventory reserves of $7.2 million in deductions from obsolescence and excess inventory charged off.

Note F — Consists of additions to inventory reserves of $0.5 million for foreign currency translation gains and $53.7 million in deductions from obsolescence and excess inventory charged off.

Note G — Additions to deferred tax valuation allowance are recorded as expense.

Note H — 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

2008 Annual Report
We have published this 2008 Annual Report to Stockholders, including the Consolidated Financial Statements and Management's Discussion and Analysis, as an appendix to our Proxy Statement. Further information regarding various aspects of our business can be found on our Web site (www.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 19, 2008. 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

The 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 (for example, historical financial releases and stock prices) and access to conference calls and analyst group presentations. Other interesting features are the press release alerts and SEC filings email alerts, which allow users to receive automatic updates informing them when new items such as news releases, financial events announcements and SEC documents are added to the site.

www.melloninvestor.com

The Mellon Investor Services Web site provides access to an Internet self-service product, Investor Service Direct^{SM} ("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
Harald J. Braun
President and Chief Executive Officer

Sarah A. Dudash
Sr. Vice President and Chief Financial Officer

Meena Elliott
Associate General Counsel and Assistant Secretary

Stephen J. Gilmore
Vice President, Human Resources

Carol A. Goudey
Corporate Treasurer and Assistant Secretary

Paul A. Kennard
Sr. Vice President and Chief Technical Officer

John W. Koenig
Vice President and Transition Officer

Shaun McFall
Sr. Vice President and Chief Marketing Officer

Juan B. Otero
Vice President, General Counsel and Secretary

Heinz H. Stumpe
Sr. Vice President and Chief Operating Officer

Directors
Charles D. Kissner
Chairman of the Board
Harris Stratex Networks, Inc.
Director
SonicWALL, Inc.
ShoreTel, Inc.

Harald J. Braun
President and Chief Executive Officer
Harris Stratex Networks, Inc.

Eric C. Evans
Chairman of the Board, Chief Executive Officer,
Representative Executive Director
D&M Holdings Inc.

William A. Hasler
Director
Ditech Networks, Inc.

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
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Singapore 486073

Offices

North America
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San Jose, CA
Seattle, WA

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Aix En Provence France
Bucharest, Romania
Châtenay-Malabry, France
Hamilton, 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
Sydney, Australia
Wellington, New Zealand

South America
Buenos Aires, Argentina

Forward-looking Statements
This Annual Report, including the letter to shareholders, contains forward-looking statements that are based on the views of management regarding future events at the time of publication of this report. These forward-looking statements, which include, but are not limited to: our plans, strategies and objectives for future operations; new products, services or developments; future economic conditions; outlook; impact on operating results due to the volume, timing, customer, product and geographic mix of our product orders; our growth potential and the potential of the industries and the markets we serve, are subject to the known and unknown risks, uncertainties and other factors that may cause our actual results to be materially different from those expressed or implied by each forward-looking statement. These risks, uncertainties and other factors are discussed in the 2008 Form 10-K.

Every Connection Counts.

www.HarrisStratex.com