harris stratex

2009

proxy statement and annual report

Letter to Shareholders

October 6, 2009

To Our Shareholders

Fiscal year 2009 was a year of change and opportunity for Harris Stratex Networks. In our second fiscal year, we introduced significant changes to strengthen our position as a leading global provider of wireless broadband solutions. We are encouraged by the progress we have made in the development of our four pillar growth strategy which included several key investments in new technologies and markets. In addition, we successfully managed through the spin-off from Harris Corporation in May 2009 to become a fully independent company and are well positioned for strong future growth.

Our Fiscal Year Financial Results

For the fiscal year ended July 3rd, 2009, the company reported revenue of $679.9 million, compared with revenue of $718.4 million in the prior year. GAAP net loss for fiscal year 2009 was $355.0 million, or a loss per share of $6.05, compared to a net loss of $11.9 million or a loss per share of $0.20 for fiscal year 2008.

On a non-GAAP basis, gross margins were $212.7 million or 31.3% of revenue, compared with $215.5 million or 30.0% of revenue for the prior year period. Net income for fiscal year 2009 was $28.3 million or $0.48 per diluted share, compared to net income of $34.4 million or $0.59 per diluted share in fiscal year 2008. The operating cash flow for fiscal year 2009 was $71.3 million, compared with the operating cash flow of $40.0 million for fiscal year 2008. Fiscal year 2009 non-GAAP results exclude $373.0 million of pretax charges, comprised of $311.6 million for goodwill and intangible impairment charges, $29.8 million for product transition charges, $14.8 million amortization of purchased intangibles, $11.2 million restructuring and stock compensation expense, and $5.6 million for write-offs of acquired in-process R&D and software.

We continue to focus on key balance sheet metrics for the company, most importantly, our cash availability for the continued expansion of our business.

Market Outlook

Our current assessment of the macro-economic climate for wireless markets remains optimistic. The bandwidth demand for mobile backhaul will continue to rise and in turn, so will demand for our microwave equipment. We believe the global microwave market will grow from a little over $6B in 2008 to approximately $9.8B in 2013—a relatively strong growth rate of 9.8%.*

We will continue to execute on our four growth strategies announced last year—expanding our customer reach geographically, introducing a broader range of services to support our customers' growing needs, moving to a fully-outsourced contract manufacturing model, and rebalancing our R&D

** Source: Microwave PTP radio market trends and forecast analysis 2009-2014. Skylight Research, May 2009.*

investment to fund additional innovation. We believe that during the past year, we have set the foundation for long-term growth by delivering innovative products and services, creating opportunities for our customers, improving customer satisfaction with key audiences and improving our internal business processes. Based on a benchmark study that we conducted with QualityResource Associates (QRA), Harris Stratex Networks ranked number 1 for global Quality Management systems (TL9000) and ranked number 1 for technology and product leadership.

Our focus in fiscal 2010 is to continue to build on this foundation, including continuing our focus on converging to a common IP-based microwave platform, which will increase R&D efficiency, simplify our supply chain, improve lead times, reduce component cost, and decrease the number of products required to support our company's worldwide customer base.

Transforming our Business

Over the past year, we have made significant strides in transforming our business from a pure-play microwave backhaul company to a more diverse company that not only strives to be a leader in mobile backhaul optimization but also one that aims to fully support network capacity expansion and evolution to an all-IP based model. We offer and will continue to improve upon our end-to-end solutions that deliver the network performance needed to support next generation services and enable a smooth transition from legacy networks. We aim to deliver the ultimate end-user experience and look to enhance our position as a leading provider of innovative, high-value wireless solutions for the worldwide mobile, network interconnection and broadband access markets.

With the advent of newer generation technologies such as packet-based 4G, WiMAX, and LTE the need for high-speed packet infrastructures is increasingly evident. In support of that evolution, we look to enhance not only our core Eclipse™ platform, but also its end-to-end value proposition by including new components and technology in order to expand its addressable market opportunity. This includes adding new features to the Eclipse™ platform and leveraging technology in 3rd party products to provide a complete, holistic end-to-end IP network solution.

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

With our recent acquisition and entry into the 4G/WiMAX space, we are now well positioned to address the growth areas of Broadband Wireless Access with fixed and mobile standard WiMAX products. The fixed/nomadic WiMAX market (IEEE 802.16d 2004) is considerable today, but quickly giving way to dramatic growth in network deployments of mobile WiMAX (IEEE 802.16e-2005) over the next few years. We see the WiMAX market as a potentially lucrative growth area over the coming years with rapidly expanding addressable markets, both in the developed and developing economies around the world, where WiMAX will be a key technology in delivering rich, high speed broadband services to populations and communities that are either un-served or under-served by existing telecom providers. For example, mobile operators in Africa are deploying WiMAX as an overlay to leverage their existing network to provide high speed services for premium business customers, while in the USA both incumbents and new Tier 3 service providers have applied for the funds made available by the American Recovery and Reinvestment Act (ARRA) of 2009 to remote rural communities.

We are uniquely positioned to be able to provide our customers with a complete solution, including our StarMAX™ WiMAX portfolio and Eclipse™ high speed wireless IP backhaul. We recently announced our new Wireless Services Gateway (WSG), designed to support core network functions such as WiMAX access, and connectivity service networks. Our end-to-end solution is completed by our strategic partnerships with other vendors who can deliver best-in-class products, including Home Agent, Billing, authentication, authorization and accounting (AAA) and Voice over IP (VoIP). Our NetBoss® Network Management and Operation Support System (NMS/OSS) provides the umbrella management solution to give operators complete network visibility and control.

Our Global Network Services offering provides our customers with the benefit of a complete portfolio of turnkey services, which includes everything from business consulting, network design and coverage planning, transmission network and IP design, training, deployment, maintenance and managed network services. Our financial strength, global presence and local touch enable us to work in close and attentive collaboration with our customers, who have the assurance that we will continue to be by their side as their network expands. Our customers are able to rely on us to provide everything that they need to achieve the shortest possible time to revenue.

Our Partner strategy enables us to go beyond wireless transmission to combat the vendor consolidation trend whereby customers are 'buying more from fewer vendors'. Furthermore, a broader portfolio enables us to further differentiate ourselves from other independent microwave-only equipment competitors. Our edge, when competing with the smaller companies, is our end-to-end delivery capability and worldwide presence to do so. In competing with the larger companies, we are able to react quicker and leverage best-of-breed products. We have a clear opportunity to straddle both sides of the competition with technology leadership and service delivery.

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

Promoting Standards for a Greener Telecom

With the expansion into new markets and growth areas, we are looking at practical strategies to help our customers reduce costs related to power, cooling and energy management. Over the past year, we have focused our efforts on smart solutions to solve the challenges of energy efficiency and renewable energy. We have taken steps towards this goal by transitioning our Energy and Security Incubator to a business unit to design and develop greener products for our customers.

In addition, we have created an organization within our company primarily focused on environmental, health and safety to help minimize our impact to the environment and provide a healthy and safe workplace. Some of these initiatives include using recycled material in our products and packaging, remodeling our buildings to be more energy efficient and recycling office supplies.

We are also a member of the Alliance for Telecommunications Industry Solutions (ATIS) and participate on the Green Standards Council. The Council is focused on the greening of the telecom industry through comprehensive energy efficiency solutions and standards.

Strong Leadership Focused on Future Growth

As we head into the new fiscal year, we believe that Harris Stratex Networks is ideally positioned to drive strong growth in 2010 and beyond. We have strong momentum and a great pipeline of products, services and technologies. More importantly, we have great people at every level, including strong leaders who have the experience and strategic insight to turn the opportunities that lie ahead of us into successes.

As an organization, we are creating and delivering innovative products and services that enhance productivity and reduces costs for both our company and our customers. Our plans include short- and long-term improvements to our technology, financial and business framework. We are committed to ongoing innovation across our product lines and will continue to develop and deliver solutions that meet the next-generation needs of advanced networks around the world.

Our Outlook

In fiscal 2010, we enter into a new phase of our company's growth. We have transformed our business by increasing the capacity and flexibility of our product line to maximize the potential of our assets for our customers, our partners and ultimately our shareholders. Over the past two years, we have successfully managed through a merger, spin-off, business transformation and acquisition to emerge as a stronger company. We continue to deliver key innovations that will revolutionize the way telecom companies communicate and manage their businesses. As the demand for mobile broadband continues to grow, we are at the forefront, creating and delivering leading edge communications.

I would like to thank all of our employees, customers, and partners who make our success possible. I would also like to thank our shareholders for their support in enabling us to realize the full potential of Harris Stratex Networks, Inc.

Harald Braun
President and Chief Executive Officer

This Letter to Stockholders contains statements that qualify as "forward-looking statements" under the Private Securities Litigation Reform Act of 1995, including, but not limited to our plans, strategies and objectives for future operations; new products, services or developments; future economic conditions; outlook; projected cost efficiencies and supply chain savings; our growth potential; and the potential known and unknown risks, uncertainties and other factors that the industry and markets we serve are subject to may cause our actual results to be materially different from those expressed or implied by each forward-looking statement. These risks, uncertainties and other factors are discussed in our 2009 Form 10-K.

HARRIS STRATEX NETWORKS, INC.

637 Davis Drive, Morrisville, NC 27560

Notice of 2009 Annual Meeting of Stockholders
To Be Held on November 19, 2009

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

NOTICE IS HEREBY GIVEN that the 2009 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 19, 2009 at 2:30 p.m., local time, for the following purposes:

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

2. Ratification of the appointment by our Audit Committee of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2010.

3. Approval of the 2010 Employee Stock Purchase Plan.

4. Approval of the Amended and Restated 2007 Stock Equity Plan.

5. Approval of the Amended and Restated Certificate of Incorporation.

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

Only holders of Class A common stock of record at the close of business on September 22, 2009 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 2009 Annual Meeting. This will help ensure the presence of a quorum at the meeting.

By Order of the Board of Directors

/s/ Meena Elliott

Vice President, General Counsel and Secretary

October 7, 2009

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on November 19, 2009

This proxy statement, the proxy card and our 2009 Annual Report are available at http://www.proxydocs.com/HSTX

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HARRIS STRATEX NETWORKS, INC.

PROXY STATEMENT

FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON NOVEMBER 19, 2009

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 2009 Annual Meeting of Stockholders, to be held at 2:30 p.m., local time, November 19, 2009, and any adjournments or postponements thereof. The annual meeting will be held at our facilities 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 7, 2009 to our stockholders entitled to notice of and to vote at the annual meeting.

ABOUT THE MEETING

What is the purpose of the meeting?

The purpose of the 2009 Annual Meeting of Stockholders is to obtain stockholder action on the matters outlined in the notice of meeting included with this Proxy Statement. All holders of shares of Class A common stock (the only Class of common stock issued and outstanding) of record at the close of business on September 22, 2009 are entitled to notice of and to vote at the Annual Meeting and all adjournments or postponements thereof. Our Class A common stockholders will vote to elect eight directors, ratify the appointment by our Audit Committee of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2010, approve the 2010 Employee Stock Purchase Plan, approve the Amended and Restated 2007 Stock Equity Plan and approve the Amended and Restated Certificate of Incorporation. In addition, management will report on its 2009 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, 2009. The record date was established by the Board as required by the Delaware General Corporation Law, or DGCL, and our Bylaws. Owners of record of shares of our common stock at the close of business on the record date are entitled to receive notice of the annual meeting and to vote at the annual meeting, and at any adjournments or postponements thereof. You may vote all shares that you owned as of the record date.

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

Each outstanding share of our Class A common stock is entitled to one vote on each matter considered at the annual meeting. As of the record date of September 22, 2009, the number of outstanding shares of Class A common stock was 58,890,228.

From the time we acquired Stratex Networks, Inc. on January 26, 2007, Harris Corporation ("Harris") owned 32,913,377 shares or 100% of our Class B common stock which approximated 56% of the total shares of our common stock. On March 31, 2009, Harris issued a press release announcing that its Board of Directors approved the spin-off to its shareholders of all the shares of the Company owned by Harris. The spin-off took place in the form of a taxable pro rata stock dividend payable on May 27, 2009 to the Harris shareholders of record as of 5:30 p.m. Eastern Time on May 13, 2009, the record date for the spin-off dividend. Harris shareholders received approximately 0.24 of a share of our Class A common stock for every share of Harris common stock they owned on the record date. As such, following the distribution and as of the record date of September 22, 2009 for our annual meeting, only shares of our Class A common stock were outstanding and no shares of Class B common stock were outstanding.

Who can attend the Annual Meeting?

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

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

How do I vote?

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

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

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

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

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

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

This Proxy Statement, the form of proxy card, the Notice and our annual report on SEC Form 10-K for the fiscal year ended July 3, 2009 are available at www.proxydocs.com/HSTX.

Why are we soliciting proxies?

In lieu of personally attending and voting at the 2009 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 holder for the annual meeting is our General Counsel and 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, Meena Elliott, 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 and approval of each of the 2010 Employee Stock Purchase Plan and Amended and Restated 2007 Stock Equity Plan 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 Amended and Restated Certificate of Incorporation requires the affirmative vote of the majority of the stockholders entitled to vote at the annual meeting.

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 Class A common stock will constitute a quorum for the transaction of business at the annual meeting.

Under the DGCL, an abstaining vote and a broker "non-vote" are counted as present and are, therefore, included for purposes of determining whether a quorum of shares is present at the annual meeting. 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), Proposal No. 3 (approval of the 2010 Employee Stock Purchase Plan), and Proposal No. 4. (approval of the Amended and Restated 2007 Stock Equity Plan), each of 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. For Proposal No. 5 (approval of the Amended and Restated Certificate of Incorporation), which requires the affirmative vote of the majority of stockholders entitled to vote at the annual meeting, broker "non-votes" will have the same effect as a negative vote.

Who pays for the cost of solicitation?

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

What is the deadline for submitting proposals and director nominations for the 2010 Annual Meeting?

Stockholder Proposals. In order for stockholder proposals to be considered properly brought before our 2010 annual meeting, the stockholder's written notice thereof must be received by our Secretary 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 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 2010 annual meeting under SEC Rule 14a-8, written notice thereof must be received by our Secretary at the address noted above by June 10, 2010.

Nomination of Director Candidates. In order for a stockholder to nominate a director for election at our 2010 annual meeting, the stockholder's written notice thereof must be received by our Secretary, 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 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 2010 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 Mediant Communications LLC will tabulate the votes cast by proxy. A representative of Mediant Communications LLC 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, Governance and Nominating Committee, Audit Committee and Compensation 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 eight members, of whom four are Class A directors and four are Class B Directors. Directors are nominated by the Governance and Nominating Committee of the Board. All directors except Mr. Braun 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. Mr. Howard Lance, a former Class B director, resigned his position as a director of the company on May 27, 2009. 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
Dr. Moshen Sohi	Class B Director
Dr. James C. Stoffel	Class B Director

* The Class A and Class B director designations reflect the election of the directors by Class A and Class B common stockholders at our 2008 Annual Meeting when both Class A and Class B common stock was outstanding. As Class A common stock is the only class of common stock that is and will be outstanding, going forward, there will only be one class of directors.

The Board has determined that as of the date of this Proxy Statement, each of our current directors except Messrs. Kissner and Braun has no material relationship with the Company and is independent in accordance with listing rules of the NASDAQ stock market (the "NASDAQ Listing Rules"). As a result of Harris Corporation's spin-off of its shares of our common stock to its stockholders on May 27, 2009, we are no longer considered a "controlled" entity under the NASDAQ Listing Rules and the exemptions from the director independence requirements available to "controlled" entities are being phased out. We believe we already satisfy all such requirements except the requirement that all members of our nominating committee be independent. Under the NASDAQ phase-out rules, this requirement will become applicable on May 27, 2010. All current members of our Governance and Nominating Committee will meet the NASDAQ criteria of independence starting on January 26, 2010.

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

Board and Committee Meetings and Attendance

During fiscal year 2009, the Board held 18 meetings. 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 62, 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 53, 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. Before this assignment, Mr. Braun served as Siemens vice president, IP and ATM/TDM Broadband Components in Development and vice president, ATM System Integration and System Test. Mr. Braun currently serves as treasurer of the Alliance for Telecommunications Industry Solutions (ATIS), and sits on the Telecommunications Industry Association (TIA) board. He is also a Director and member of the Audit Committee of BigBand Networks, and is an advisor to Roundbox, Inc.

Mr. Eric C. Evans, age 56, is the former Chairman of the Board of Directors, Chief Executive Officer, and Representative Executive Director of D&M Holdings Inc., a leading provider of premium consumer audio and video electronics. He is presently Senior Advisor to D&M. He is also an industrial partner at Ripplewood Holdings LLC, a private equity firm. Prior to joining Ripplewood in November 2005, Mr. Evans was President and Chief Operating Officer of Diebold, Inc., global technology product and services company, from 2004 to 2005. Prior to 2004, Mr. Evans was a group vice president in the climate technologies area of Emerson, 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 67, served as a member of the Stratex board of directors from August 2001 through January 2007, and was Chairman of the Nominating and Corporate Governance Committee and a member of the Audit Committee. Mr. Hasler served as Chairman of the Board of Directors of Solectron Corporation from 2003 to 2007 and was a member of that board from 1998 to 2007. He was co-Chief Executive Officer and a Director of Aphton Corp, a biopharmaceutical company from 1998 to 2003. From 1991 to 1998, Mr. Hasler was Dean of both the Graduate and Undergraduate Schools of Business at the University of California, Berkeley. Prior to his deanship at UC Berkeley, Mr. Hasler was Vice Chairman of KPMG Peat Marwick. Mr. Hasler also serves on the boards of Ditech Networks Corp., a supplier of telecommunications equipment, Globalstar, Inc., a supplier of satellite communication services, and Mission West Properties Inc., a REIT engaged in the management, leasing, marketing, development and acquisition of commercial R&D properties. He is also a trustee of the Schwab Funds.

Mr. Clifford H. Higgerson, age 69, served as a member of the Stratex board of directors from March 2006 to January 2007 and served on the Compensation and Strategic Business Development Committees. He has more than 40 years experience in research, consulting, planning and venture investing primarily in the telecommunications industry, with an emphasis on carrier systems and equipment. In 2006, he became a partner with Walden International, a global venture capital firm focused on four key industry sectors: communications, electronics/digital consumer, software and IT services, and semiconductors. Mr. Higgerson was a founding partner of ComVentures from 1986 to 2005, and has been a general partner with Vanguard Venture Partners since 1991. He currently serves as a member of the board of directors of Kotura, Hatteras Networks, Xtera Communications, World of Good, Ygnition and Geronimo Windpower.

Dr. Mohsen Sohi, age 50, 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. Dr. Sohi currently serves on the board of directors of Hayes Lemmerz International, Inc., a leading worldwide producer of aluminum and steel wheels for cars and trucks, and also on the board of directors of Steris Corporation, a provider of infection prevention and contamination control products and services.

Dr. James C. Stoffel, age 63**,** 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.

Mr. Edward F. Thompson, age 71, 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, Shoretel, Inc., an IP business telephony systems company, and InnoPath Software, Inc. He is on the Advisory Boards of Diamondhead Ventures, LLP, and Santa Clara University's Leavey School of Business.

Board of Directors Committees

Our Board of Directors maintains an Audit Committee, a Compensation Committee and a Governance and Nominating Committee. During fiscal year 2009, the Nominating Committee and Corporate Governance Committee were separate, however, these committees were combined during fiscal year 2010.

Copies of the charters for the Audit Committee, the Compensation Committee, and the Governance and 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 2009, and the principal functions performed by each committee.

Committee	Number of Meetings in Fiscal 2009	Members	Principal Functions
Audit	17	Edward F. Thompson* Eric C. Evans William A. Hasler	• Selects our independent registered public accounting firm • Reviews reports of our independent registered public accounting firm • Reviews and pre-approves the scope and cost of all services, including all non-audit services, provided by the firm selected to conduct the audit • Monitors the effectiveness of the audit process • Reviews management's assessment of the adequacy of financial reporting and operating controls • Monitors corporate compliance program
Compensation	9	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
Governance and Nominating Committee**	5	William A. Hasler* Charles D. Kissner Clifford H. Higgerson	• Develops and implements policies and practices relating to corporate governance • Reviews and monitors implementation of our policies and procedures • Assists in developing criteria for open positions on the Board of Directors • Makes recommendations to the Board of Directors with respect to committee assignments • 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

** During fiscal year 2009, the Corporate Governance Committee and Nominating Committee were separate committees but were combined for fiscal year 2010. Prior to such combination, the members of (a) the Corporate Governance Committee were Messrs. Hasler (Chairman), Kissner and Lance and the committee had

4 meetings and (b) the Nominating Committee were Messrs. Hasler (Chairman), Higgerson, Kissner and Thompson and the committee had 1 meeting. Mr. Lance resigned from the Company Board on May 27, 2009.

Audit Committee

The Audit Committee is primarily responsible for selecting and approving the services performed by our independent registered public accounting firm, as well as reviewing our accounting practices, corporate financial reporting and system of internal controls over financial reporting. The Audit Committee currently consists of Messrs. Evans, Hasler and Thompson (Chairman). No material amendments to the Audit Committee Charter were made during fiscal year 2009. 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 in accordance with NASDAQ Listing Rules. 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.

Governance and Nominating Committee

As noted above, during fiscal year 2009, the Corporate Governance Committee and Nominating Committee were separate committees. During fiscal year 2009, the Corporate Governance Committee consisted of Messrs. Hasler (Chairman), Kissner and Lance and the Nominating Committee consisted of Messrs. Hasler (Chairman), Higgerson, Kissner and Thompson. The Governance and Nominating Committee consists of Messrs. Hasler (Chairman), Higgerson, and Kissner. Messrs. Hasler and Higgerson meet the independence requirements of the NASDAQ Listing Rules and Mr. Kissner will meet the independence requirements of the NASDAQ Listing Rules effective January 26, 2010. Per the NASDAQ Listing Rules for phase-in compliance for companies ceasing to be a controlled company, the committee may include, until May 27, 2010, a number of members not meeting the independence requirements of the NASDAQ Listing Rules so long as the number of such non-independent members is less than the number of independent members of the committee.

The Governance and Nominating Committee identifies best practices and recommends steps consistent with sound and current corporate governance principles and assists the Board in selecting nominees for election to the Board and recommends candidates to the Board. The Governance and Nominating Committee periodically reviews whether a more formal selection policy should be adopted. There is no difference in the manner in which the Governance and 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 Governance and Nominating Committee considers the individual's experience and background. Candidates for the position of director should exhibit proven leadership capabilities, high integrity, exercise high level responsibilities within their chosen career, and possess an ability to quickly grasp complex principles of business, finance, international transactions, and 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 Governance and Nominating Committee bears in mind that the foremost responsibility of a director of a corporation is to represent the interests of the stockholders as a whole. The Board intends to continue to evaluate candidates for election to the Board on the basis of the foregoing criteria.

Stockholder Communications with the Board

Stockholders who wish to communicate directly with the Board may do so by sending an e-mail to Meena Elliott, 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 Meena Elliott, 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 her judgment whether a response to any stockholder communication is appropriate.

Code of Conduct

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

TRANSACTIONS WITH RELATED PERSONS

It is the policy and practice of our Board to review and assess information concerning transactions involving related persons. Related persons include our directors and executive officers and their immediate family members, and included our majority stockholder, Harris, prior to its spin-off of our shares to its stockholders. 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 Corporation

During fiscal year 2009, and prior to the May 27, 2009 spin-off of our shares of common stock to the stockholders of Harris, Harris was a significant related party to us through its 56 percent ownership of our common stock. We had an investor agreement with Harris, which terminated at the time of the spin-off, that provided that Harris would not, and would 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 was on arm's length terms and (ii) if it had a fair market value of more than $5 million, the transaction was approved in advance by a majority of the Class A directors (with certain exceptions).

Prior to the Harris spin-off, we shared a directors' and officers' insurance policy with Harris. The primary layer was available to Harris and the Company on a first-case, first-served basis.

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 with cash in the amount of $0.1 million in respect of fiscal year 2009.

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 2009, we incurred charges of $5.5 million for these services from Harris. We intend to continue to utilize select services from Harris and have extended the terms of the Transition Services Agreement.

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 $6.0 million in fiscal 2009. We also recognized costs associated with related party purchases from Harris of $3.3 million for fiscal 2009.

Additionally, we have other receivables and payables in the normal course of business with Harris. Total receivables from Harris were $6.4 million as of July 3, 2009. Total payables to Harris were $3.3 million as of July 3, 2009.

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. As of July 3, 2009, our lease obligation to Harris was $1.4 million of which $0.5 million is a current liability and the related asset amount, net of accumulated amortization of $1.4 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 fiscal 2009 we paid Harris $1.4 million under this capital lease obligation. Our amortization expense on this capital lease was $1.1 million, $1.8 million and $0.8 million in fiscal 2009, 2008 and 2007. As of July 3, 2009, the future minimum payments for this lease are $0.8 million for fiscal 2010, $0.5 million for fiscal 2011 and $0.2 million for fiscal 2012.

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 July 3, 2009.

During fiscal 2007, our Singapore subsidiary issued 8,250 redeemable preference shares to the Company which, in turn, sold the shares to two unrelated investment companies at par value for total sale proceeds of $8.25 million. Upon original issuance in fiscal 2007, Harris guaranteed redemption of these preference shares directly with these two unrelated investment companies through the existence of put option arrangements. During May 2009, one of these unrelated investment companies exercised a put option with Harris and sold its entire interest in 3,250 redeemable preference shares at face value to Harris. Accordingly, Harris owns this partial interest in our Singapore subsidiary's redeemable preference shares outstanding as of July 3, 2009. These redeemable preference shares represent less than a 1% interest in our Singapore subsidiary. The redeemable preference shares have an automatic redemption date of January 2017, which is 10 years from the date of issue. Preference dividends are cumulative and payable quarterly in cash at the rate of 12% per annum. The holders of the redeemable preference shares have liquidation rights in priority of all classes of capital stock of our Singapore subsidiary. The holders of the redeemable preference shares do not have any other participation in, or rights to, our profits, assets or capital shares, and do not have rights to vote as a shareholder of the Singapore subsidiary unless the preference dividend or any part thereof is in arrears and has remained unpaid for at least 12 months after it has been declared. During fiscal 2009, 2008 and 2007, preference dividends totaling $1.0 million, $1.0 million and $0.4 million were recorded as interest expense in the our consolidated statements of operations. We have classified the redeemable preference shares as a long-term liability due to the mandatory redemption provision 10 years from issue date. Our Singapore subsidiary has the right at any time after 5 years from the issue date to redeem, in whole or in part, the redeemable preference shares as follows: 105% of the issue price after 5 years but before 6 years from issue date; 104% of the issue price after 6 years but before 7 years from issue date; 103% of the issue price after 7 years but before 8 years from issue date; 102% of the issue price after 8 years but before 9 years from issue date; 101% of the issue price after 9 years but before 10 years from issue date and 100% of the issue price at the automatic redemption date of 10 years from issue date.

DIRECTOR COMPENSATION AND BENEFITS

The form and amount of director compensation is reviewed and assessed from time to time by the Governance and Nominating 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 Governance and Nominating 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;
- 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; and
- Annual grant of shares of Class A common stock, for service as Chairman of the Board, valued (based on market prices on the date of grant) at $40,000 with a one-year vesting period with 25 percent of the grant vesting per quarter.

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

We reimburse each non-employee director for reasonable travel expenses incurred 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 did not receive compensation for his services as a director.

Fiscal 2009 Compensation of Non-Employee Directors

Our non-employee directors received the following aggregate amounts of compensation in respect of the fiscal year ended July 3, 2009.

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	79,500	60,983	—	—	—	—	140,483
William A. Hasler	95,000	60,983	—	—	—	—	155,983
Clifford H. Higgerson	74,500	60,983	—	—	—	—	135,483
Charles D. Kissner	82,000	60,983	—	—	—	—	142,983
Howard L. Lance(2)	—	—	—	—	—	—	—
Dr. Mohsen Sohi	66,000	60,983	—	—	—	—	126,983
Dr. James C. Stoffel	80,000	60,983	—	—	—	—	140,983
Edward F. Thompson	94,000	60,983	—	—	—	—	154,983

(1) The amounts shown represent the compensation expense that we recognized in our fiscal year 2009 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 M in our fiscal 2009 consolidated financial statements, in Part II, Item 8 of our annual report on Form 10-K, filed with the SEC on September 4, 2009. 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 Howard L. Lance, the grant date fair value of restricted stock awards to all directors during fiscal 2009 was $60,000. No awards were made to Howard L. Lance during fiscal 2009. Mr. Lance resigned from the Board effective May 27, 2009. The awards vested or vest with respect to 25 percent of the shares awarded on April 26, 2008 and April 26, 2009 and vested or vest at the rate of 25 percent for each three-month period thereafter, becoming fully vested on January 26, 2009 and January 26, 2010, annually after commencement of service as a director. As of July 3, 2009, our non-employee directors owned the following aggregate number of shares of our Class A common stock: Eric C. Evans — awards for 26,134 shares of which 10,588 shares were unvested at fiscal year end. William A. Hasler — awards for 33,923 shares of which 10,588 shares were unvested at fiscal year end. Clifford H. Higgerson — awards for 156,959 shares of which 10,588 shares were unvested at fiscal year end. Charles D. Kissner — awards for 83,669 shares of which 10,588 shares were unvested at fiscal year end. Dr. Mohsen Sohi — awards for 24,664 shares of which 10,588 were unvested at fiscal year end. Dr. James C. Stoffel — awards for 24,664 shares of which 10,588 were unvested at fiscal year end and Edward F. Thompson — awards for 27,164 shares of which 10,588 shares were unvested at fiscal year end.

(2) Mr. Lance is Chief Executive Officer of Harris. Although he was considered to be one of our non-employee directors, he elected not to take compensation for his services as a Company director. Mr. Lance resigned from our board of directors effective May 27, 2009.

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 18, 2009 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. 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 18, 2009, there were 58,890,228 shares of our common stock outstanding.

	Shares Beneficially Owned as of September 18, 2009(1)	
Name and Address of Beneficial Owner	**Number of Shares of Class A Common Stock(2)**	**Percentage of Voting Power of Common Stock**
Barclays Global Investors UK Holdings Ltd. 1 Churchill Place Canary Warf London England E14 5HP	3,046,830(3)	5.2%
NAMED EXECUTIVE OFFICERS AND DIRECTORS		
Harald J. Braun	240,656(4)	*
Thomas L. Cronan, III	46,878	*
Sarah A. Dudash	2,000	*
Eric C. Evans	26,134	*
William A. Hasler	36,423(5)	*
Clifford H. Higgerson	163,209(6)	*
Paul A. Kennard	210,071(7)	*
Charles D. Kissner	460,449(8)	*
Shaun McFall	103,695(9)	*
Dr. Mohsen Sohi	24,664	*
Dr. James C. Stoffel	24,664	*
Heinz H. Stumpe	105,631(10)	*
Edward F. Thompson	32,164(11)	*
All directors and executive officers as a group (18 persons)	1,751,643(12)	3.0%

* Less than one percent

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

(2) Shares of 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 18, 2009 by the exercise of stock options.

(3) The address and number of shares of common stock beneficially owned by Barclays Global Investors UK Holdings Limited is based on Schedule 13-F as filed with the Securities and Exchange Commission on August 12, 2009. In this same filing Barclays Global Investors Limited reported shared dispositive power over 65,120 shares, Barclays Global Investors, N.A. reported shared dispositive power over 1,713,901 shares, Barclays Global Fund Advisors reported shared dispositive power over 1,220,084 shares, Barclays Global Investors Australia Limited reported shared dispositive power over 1,570 shares, Barclays Global Investors Canada Limited reported shared dispositive power over 12,063 shares and Barclays Global Investors Japan Limited reported shared dispositive power over 34,092 shares.

(4) Includes options to purchase 112,743 shares of Class A common stock that are currently exercisable or will become exercisable within 60 days of September 18, 2009.

(5) Includes options to purchase 5,000 shares of Class A common stock that are currently exercisable or will become exercisable within 60 days of September 18, 2009.

(6) 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 18, 2009. 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.

(7) Includes options to purchase 146,376 shares of Class A common stock that are currently exercisable or will become exercisable within 60 days of September 18, 2009.

(8) Includes options to purchase 370,000 shares of Class A common stock that are currently exercisable or will become exercisable within 60 days of September 18, 2009.

(9) Includes options to purchase 66,373 shares of Class A common stock that are currently exercisable or will become exercisable within 60 days of September 18, 2009.

(10) Includes options to purchase 59,638 shares of Class A common stock that are currently exercisable or will become exercisable within 60 days of September 18, 2009.

(11) Includes options to purchase 5,000 shares of Class A common stock that are currently exercisable or will become exercisable within 60 days of September 18, 2009.

(12) Includes options to purchase 897,526 shares of Class A common stock that are currently exercisable or will become exercisable within 60 days of September 18, 2009.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

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

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

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

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

In accordance with its responsibilities, the Audit Committee has reviewed and discussed with management the audited financial statements for the year ended July 3, 2009 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.

Remediation of Material Weaknesses in Internal Control over Financial Reporting

The Company's management report on internal control over financial reporting for the fiscal year ended June 27, 2008 described material weaknesses in our internal control over financial reporting. These material weaknesses continued to exist during the first three quarters of fiscal 2009, during which time management was engaged in the implementation and testing of remedial measures designed to address these material weaknesses. In the fourth quarter of fiscal 2009, management completed testing of the design and operating effectiveness of enhanced controls to demonstrate their operating effectiveness over a period of time sufficient to support our conclusion that, as of July 3, 2009, management had remediated the previously reported material weaknesses in the Company's internal control over financial reporting.

During fiscal 2009, management implemented the following changes in the Company's internal control over financial reporting to address previously reported material weaknesses:

1. Management designed and/or implemented several key initiatives to strengthen internal control over project cost variances.

- Management now generates and reviews a project work in process exposure report each quarter to ensure work in process is properly relieved of costs.
- Management has trained appropriate personnel in the methods of review of the project costs and created a high-level awareness of the importance of more thorough project cost reviews.
- Management conducts regular reviews to ensure the timely closing of projects.
- Management ensures that project costs are properly reconciled and aged balances are evaluated on a quarterly basis.

2. Management designed and/or implemented several key initiatives to strengthen the Company's process for reconciling balance sheet accounts.

- Management accelerated the on-going implementation of software tools to track the account reconciliation process with all major subsidiaries now tracked.
- Management instituted procedures to ensure the timely completion of account reconciliations supported by a sub-ledger or other independent documentation or calculation with 100% of key account reconciliations now prepared, reviewed, and approved prior to filing financial statements.
- Management dedicated additional resources to ensure timely reviews of account reconciliations and resolution of aged balances and reconciling items.

Changes in Internal Control over Financial Reporting

The Company's remediation of the material weaknesses described above during the quarter ended July 3, 2009 has materially affected our internal control over financial reporting.

Based on these reviews and discussions, the Audit Committee recommended to the Board that the Company's audited financial statements for the year ended July 3, 2009 be included in Company's Annual Report on Form 10-K.

Audit Committee of the Board of Directors

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

INDEPENDENT AUDITOR'S FEES

Ernst & Young LLP has been approved by our Audit Committee to act as our independent registered public accounting firm for the fiscal year ending July 2, 2010. Representatives of Ernst & Young LLP will be present at the 2009 Annual Meeting of Stockholders, will have opportunity to make a statement should they so desire, and will be available to respond to appropriate questions.

Audit and other fees billed to us by Ernst & Young LLP for the fiscal years ended July 3, 2009 and June 27, 2008 are as follows:

	2009	2008
Audit Fees(1)	$3,363,464	$2,981,988
Audit-Related Fees(2)	9,700	13,219
Tax Fees(3)	424,417	114,268
All Other Fees(4)	—	44,042
Total Fees for Services Provided	$3,797,581	$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) Audit-related fees include fees for completion of certain state registration requirements.

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

(4) No professional services were rendered or fees billed for other services not included within Audit Fees, Audit-Related Fees or Tax Fees for the fiscal year ended July 3, 2009.

Ernst & Young LLP did not perform any professional services related to financial information systems design and implementation for us in fiscal 2009 or 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 CEO, current and former CFO and the three other most highly compensated executive officers (our "named executive officers") detailed in the Summary Compensation Table below, in the other tables and narrative discussion that follow.

Compensation Philosophy and Objectives

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

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

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

Executive Compensation Process

The Compensation Committee has oversight responsibility for the establishment and implementation of compensation policies and programs for our executive officers in a manner consistent with our compensation objectives and principles. The Compensation Committee, which is comprised solely of independent directors, reviews and approves the features and design of our executive compensation program, and approves the compensation levels, individual objectives and financial targets for our executive officers other than our CEO. The Board of Directors approves the compensation level 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 as internal and external legal or accounting advisors, as the Compensation Committee determines to be appropriate. The Compensation Committee considers recommendations from our CEO and senior management when making decisions regarding our executive compensation program and compensation of our executive officers. Following each fiscal year end, our CEO, assisted by our Human Resources Department, assesses the performance of all named executive officers and other officers. Following this annual performance review process, our CEO recommends base salary and incentive and equity awards for our named executive officers and other officers to the Compensation Committee. Based on input from our CEO and management, as well as from independent consultants, if any were used, the Compensation Committee determines what changes, if any should be made to the executive compensation program and either sets or recommends to the full Board the level of each compensation element for all of our officers.

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 2009, 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 based on data from the Radford Survey. In determining compensation for our CEO, Mr. Harald J. Braun, the Compensation Committee utilized the services of Towers Perrin 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 total direct compensation benchmarking possess the following attributes: business operations in the industries and businesses in which we participate, with revenues between $500 million and $1.5 billion that compete for the same executive talent.

For fiscal 2009, 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.	JDS Uniphase Corp.
Itron, Inc.	MasTec Inc.
Loral Space & Communications Ltd.	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, 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.

2009 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 2009, our CEO made recommendations regarding each named executive officer's base pay to the Compensation Committee in August 2008. The Compensation Committee considered each executive officer's responsibilities, as well as the Company's performance and recommended increases in base salary for select named executive officers and other officers. The base salaries for fiscal 2009 for our named executive officers are set forth in the Summary Compensation Table.

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

For fiscal year 2009, the AIP contained minimum thresholds and payout ratios for both performance measures and assigned a weight of 50% to revenue and 50% to operating income. The change to the 50/50 weighting from the 60/40 weighting used in prior fiscal years reflects the desire to bring a balanced focus to revenue and operating income instead of encouraging a stronger focus on one over the other. The target amounts were established in August 2008. The operating income performance measure included a condition that the Company achieve a minimum of $59 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 for fiscal year 2009, $782 million, was computed in accordance with generally accepted accounting principles, or GAAP. The operating income target for fiscal year 2009, $97 million, was computed based on GAAP results with certain non-GAAP adjustments. Applying non-GAAP adjustments to the operating income focuses this part of the AIP incentive on more controllable aspects of the income statement. Fiscal year 2009 non-GAAP operating income excluded $373 million of pre-tax charges comprised of $311.6 million for goodwill and intangible assets impairment charges, $29.8 million for product transition charges, $14.9 million amortization of purchased intangibles, $11.1 million restructuring and stock compensation expense and $5.6 million for write-off of acquired in-process R&D and software.

Table 1

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

The fiscal year 2009 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 2009 fiscal year AIP, we achieved approximately 87% percent of the revenue target and did not achieve the operating income target. Although we did not achieve the minimum revenue target, upon the recommendation by the Compensation Committee, our Board awarded a fiscal AIP in the amount that would have been payable upon achievement of the revenue threshold of 90% of the revenue target, with the Chief Executive Officer to have discretion to vary the formula plus or minus 20%. In making its recommendation, the Committee considered management's financial performance to be above average as compared to the financial performance of competitors, given the current macro-economic environment. Our named executive officers received approximately 24.2 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. Our Board awarded $200,000 to our Chief Executive Officer, which represented approximately 28.7 percent of his base salary. We expect short-term incentive pay to continue to be a component of our total executive compensation program, and the Compensation Committee reviewed and recommended to the Board and the Board agreed, that the metrics and the weighting mix remain the same for fiscal year 2010.

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 Stock Equity Plan.

Our LTIP is designed to motivate our executives to focus on achievement of our long-term financial goals. Performance share grants motivate our executives to achieve our long-term goals and to the extent our results affect our stock price, link such results with the performance of our stock over a three-year period. Using equity awards helps us to retain executives, encourage share ownership and maintain a direct link between our executive compensation program and the value and appreciation in the value of our stock. For fiscal year 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, if the performance criteria are met, at the end of each 3-year plan cycle. Under the fiscal year 2009 long-term equity incentive awards, performance shares are earned if 90% of target income from operating income or 75% of target return on invested capital is achieved. Income from operations and return on invested capital is calculated by applying GAAP principles, adjusted for certain Committee approved exclusions, which may include items such as charges incurred for restructurings, impairments, acquisitions. The maximum possible entitlement to performance shares will occur if 120% of both targets is achieved. In addition, irrespective of performance versus target, there is no entitlement to performance shares unless the award recipient continues to be employed throughout the multi-year period. Further, the LTIP allows for an accelerated payout of up to 50% of target shares based on the cumulative results achieved at the end of fiscal year 2010.

Table 2, below, outlines the metrics of the performance share plan adopted in fiscal year 2009.

Table 2

Performance Share Plan		Results-Driven Entitlement	
Metric (June 28, 2008-. July 1, 2011)	**Tiers**	**Performance (As % of Financial Target) (%)**	**Entitlement (As % of Entitlement at Target) (%)**
Income from Operations as adjusted (50)%	Threshold	90	80
	Target	100	100
	Maximum	120	150
Return on Invested Capital as adjusted (50)%	Threshold	75	80
	Target	100	100
	Maximum	120	150

LTIP awards made in fiscal 2009, with a performance measurement period of fiscal years 2010-2011, were composed of 50% stock options and 50% performance-based restricted stock awards. The LTIP awards made in fiscal 2010, with a performance measurement period of fiscal years 2010-2012, were composed of 33⅓% stock options, 33⅓% service-based restricted stock units and 33⅓% performance-based restricted stock awards. (In both cases, the proportions are measured by the estimated GAAP expense associated with the awards.) The stock options vest over a three-year period with 50% vesting in the first year and 25% in each of the following two years. The performance shares vest over a three-year cliff vesting schedule and the restricted stock units vest 33% on the anniversary of the award.

The Committee believes that each type of equity component addresses different compensation objectives. Stock options provide a leverage opportunity and alignment with shareholder interests. Restricted Stock encourages retention of key executives. Performance-based restricted stock awards encourage a stronger operational focus.

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.

Restricted Stock Awards or Units. Restricted stock awards are awards of stock at the start of a vesting or performance period which is subject to forfeiture or repurchase for nominal consideration if the specified vesting or other conditions are not satisfied. Restricted stock units are commitments to award shares of stock at the end of a vesting or performance period if the vesting or other conditions are satisfied. Apart from the use of restricted stock units as part of the LTIP, 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. For compensation planning purposes, awards of restricted shares or restricted share units 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.

Key Employee Stock Option Program. For non-executive key employees, the Board has authorized management to award stock options to purchase up to 1,269,530 shares of our Class A common stock under the proposed Amended and Restated 2007 Stock Equity Plan if that plan is approved by stockholders (see Proposal No. 4). The purpose of the key employee stock options is to motivate and reward employees for superior performance. The key employee stock option plan is also intended to help the Company present an equity incentive program for its non-executive employees that is competitive with those offered by other employers.

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 2009, our named executive officers were eligible to participate in the health and welfare programs that are generally available to all full-time U.S.-based employees, including medical, dental, vision, life, short-term and long-term disability, employee assistance, flexible spending and accidental death and dismemberment. Except for allowances provided to former Stratex officers, such as a housing allowance, we do not provide perquisites to our named executive officers.

In addition, the named executive officers and all other eligible U.S.-based employees can participate in our tax-qualified 401(k) Plan. Under the 401(k) Plan, all eligible employees can receive matching contributions from the Company. Our company-matching contribution for the 401(k) Plan during fiscal year 2009 was 100 percent of the first five percent of contributions by the employee to the 401(k) Plan, to a maximum per participating employee of $22,000 for employees age 50 and over during each calendar year, as allowed by the IRS. We do not provide defined benefit pension plans or defined contribution retirement plans to the named executive officers or other employees other than the 401(k) Plan, or as required in certain countries other than the United States, for legal or competitive reasons.

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 30. 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 July 3, 2009.

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 July 3, 2009, 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 Financial Officer, who would have been included in such table had she served as an executive officer at July 3, 2009.

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	2009	695,000	—	173,732	199,216	200,000	—	10,742	1,278,690
	2008	160,385	—	15,430	—	131,876	—	74,239	381,930
Thomas L. Cronan, III, Senior Vice President and Chief Financial Officer, . .	2009	46,154	—	16,391	15,526	6,875	—	50,212	135,158
Paul A. Kennard, Senior Vice President and Chief Technology Officer	2009	378,447	—	59,299	200,428	54,194	—	112,771	805,139
	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, Senior Vice President and Chief Operating Officer	2009	321,923	—	65,483	140,846	46,179	—	25,831	600,262
	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
Shaun McFall, Senior Vice President and Chief Marketing Officer	2009	263,384	—	51,568	113,136	36,180	—	14,831	479,099
Sarah A. Dudash, former Senior Vice President and Chief Financial Officer(2)	2009	152,307	—	(70,446)	79,357	—	—	217,024	378,242
	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

(1) Our 2009 fiscal year ended July 3, 2009 and 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 Ms. Dudash represent her total compensation for the entire fiscal year

2007 because she was 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) Ms. Dudash resigned as Senior Vice President and Chief Financial Officer effective February 13, 2009.

(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. The annual base salary for Mr. Cronan is $300,000. The amount in the Summary Compensation table, $46,154, reflects the salary received for the period May 4, 2009 through July 3, 2009.

(4) For the fiscal years ended July 3, 2009 and June 27, 2008, these stock awards consist of awards of restricted stock and performance shares granted on February 28, 2007, May 6, 2008, November 5, 2008 and May 4, 2009 pursuant to our 2007 Stock Equity Plan, and for Ms. Dudash, also include awards from Harris. The amount of compensation for awards under the Harris plan was $32,107 and $48,092 for Ms. Dudash for fiscal 2009 and 2008, respectively. The amount of compensation for awards under the 2007 Stock Equity Plan for fiscal 2009 and 2008, respectively, was $173,732 and $15,430 for Mr. Braun, $144,371 and $167,508 for Mr. Kennard, $129,578 and $147,022 for Mr. Stumpe and for fiscal 2009, $101,679 for Mr. McFall. Fiscal 2009 also included negative amounts or reversals of performance share expense of $85,072 for Mr. Kennard, $64,095 for Mr. Stumpe, $50,111 for Mr. McFall and $102,553 for Ms. Dudash. 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 2009 and 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 M in our fiscal 2009 consolidated financial statements, included in Part II, Item 8 of our Annual Report on Form 10-K, filed with the SEC on September 4, 2009. 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 $51,439 for Ms. Dudash. The amount of compensation for awards under the 2007 Stock Equity Plan was $65,207 for Ms. Dudash, $69,943 for Mr. Kennard and $61,402 for Mr. Stumpe. 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 September 4, 2009. 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 July 3, 2009, 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 $54,681 for Ms. Dudash. Compensation for former Stratex option grants was $111,637 for Mr. Kennard, $74,425 for Mr. Stumpe and $60,470 for Mr. McFall. Compensation for options granted under the 2007 Stock Equity Plan was $199,216 for Mr. Braun, $15,526 for Mr. Cronan, $88,791 for Mr. Kennard, $66,421 for Mr. Stumpe and $52,666 for Mr. McFall. The amounts shown are the amounts of annual compensation expense that we recognized in our fiscal year 2009 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 M in our fiscal 2009 consolidated financial statements, included in Part II, Item 8 of our Annual Report on Form 10-K filed with the SEC on September 4, 2009. 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 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 $32,107 for Ms. Dudash. 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 $87,463 for Ms. Dudash, $72,483 for Mr. Kennard and $54,604 for Mr. Stumpe.

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 $43,274 for Ms. Dudash. 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 $23,200 for Ms. Dudash, $19,227 for Mr. Kennard and $14,484 for Mr. Stumpe.

(6) For the fiscal year ended July 3, 2009, represents amounts paid in fiscal 2010 in respect of 2009 performance under the fiscal year 2009 AIP.

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 $30,216 for Ms. Dudash paid by Harris in fiscal 2007 to her, as a former MCD employee, for performance in the 7 month period ended January 26, 2007 prior to the merger.

(7) We do not currently have our own pension plan or deferred compensation plan. However, Ms. Dudash will be upon retirement, entitled to receive benefits under the Harris Corporation Retirement Plan and Supplemental Employment Retirement Plan based on her 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 Plans (g) ($)	Fees Earned for Consulting Services Subsequent to Termination (h) ($)	Company Matching Contributions Under 401(k) Plan (i) ($)	Tax Gross-Ups and Equalization (j) ($)	Total All Other Compensation ($)
Harald J. Braun	2009	2,723	—	—	—	—	—	—	—	8,019	—	10,742
	2008	—	—	—	—	—	74,239	—	—	—	—	74,239
Thomas L. Cronan, III	2009	212	—	—	—	—	50,000	—	—	—	—	50,212
Paul A. Kennard	2009	3,858	6,900	—	—	—	10,000	—	—	7,136	84,877	112,771
	2008	3,664	76,800	—	—	—	100,000	—	—	24,238	—	204,702
	2007	—	5,400	—	—	—	—	—	—	7,833	—	13,233
Heinz H. Stumpe	2009	1,831	24,000	—	—	—	—	—	—	—	—	25,831
	2008	1,740	24,750	—	—	—	—	—	—	1,740	—	28,230
	2007	—	16,400	—	—	—	—	—	—	—	—	16,400
Shaun McFall	2009	—	888	—	—	—	—	—	—	13,943	—	14,831
Sarah A. Dudash	2009	1,259	—	40,688	—	—	—	—	170,000	5,077	—	217,024
	2008	1,402	—	—	—	—	—	6,670	—	13,665	—	21,737
	2007	438	—	—	32,500	16,079	—	31,527	—	5,077	—	85,621

(a) For fiscal years ended July 3, 2009 and June 27, 2008, represents premiums paid by the Company for life insurance that represent taxable income for the named executive officer in calendar 2007, 2008 or 2009. 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 Ms. Dudash upon her voluntary termination with the Company.

(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. Cronan and 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 paid or accrued for consulting services rendered by Ms. Dudash subsequent to her resignation from the Company on February 13, 2009.

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

(j) Represents tax gross-ups and tax equalization payments to Mr. Kennard relating to his international assignment.

Grants of Plan-Based Awards in Fiscal 2009

The following table lists our grants and incentives during our fiscal year ended July 3, 2009 of plan based awards, both equity and non-equity based and including our Annual Incentive Plan, to the named executive officers and former executive officer, 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 2009(2)			Estimated Future Payments Under Long-Term Equity Incentive Plan Awards in Fiscal 2009(3)			All Other Stock Awards in Fiscal 2009			
Name	Grant Date (1)	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	Number of Shares of Stock or Units (3) (#)	Number of Securities Underlying Options(4) (#)	Exercise or Base Price of Option Awards ($/Share)	Grant Date Fair Value of Stock and Option Awards(5) ($)
Harald J. Braun.	N/A	347,500	695,000	1,390,000	—	—	—	—	—	—	—
	11/05/08	—	—	—	93,802	117,252	175,878	—	—	—	699,994
	11/05/08	—	—	—	—	—	—	—	225,486	5.97	605,949
Thomas L. Cronan, III . .	N/A	12,500	25,000	50,000	—	—	—	—	—	—	—
	05/04/09	—	—	—	37,473	46,841	70,262	—	—	—	215,000
	05/04/09	—	—	—	—	—	—	—	84,314	4.59	188,906
Paul A. Kennard	N/A	94,250	188,500	377,000	—	—	—	—	—	—	—
	11/05/08	—	—	—	20,904	26,130	39,195	—	—	—	155,996
	11/05/08	—	—	—	—	—	—	—	50,251	5.97	135,472
Heinz H. Stumpe.	N/A	81,250	162,500	325,000	—	—	—	—	—	—	—
	11/05/08	—	—	—	15,527	19,409	29,114	—	—	—	115,872
	11/05/08	—	—	—	—	—	—	—	37,326	5.97	100,627
Shaun McFall	N/A	60,300	120,600	241,200	—	—	—	—	—	—	—
	11/05/08	—	—	—	12,395	15,494	23,241	—	—	—	92,499
	11/05/08	—	—	—	—	—	—	—	29,796	5.97	80,327
Sarah A. Dudash	N/A	66,000	132,000	264,000	—	—	—	—	—	—	—
	11/05/08	—	—	—	25,259	31,574	47,361	—	—	—	188,497
	11/05/08	—	—	—	—	—	—	—	60,720	5.97	163,695

(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 2009 Annual Incentive Plan. The actual amount earned by each named executive officer for fiscal 2009 pursuant to our 2009 Annual Incentive Plan is set forth in the Summary Compensation Table above under the column titled "Non-Equity Annual Incentive Plan Compensation." The target amount for Mr. Cronan is pro-rated based on his length of service in fiscal 2009.

(3) Performance share vesting may begin at 90 percent of the income from operations, as adjusted target and reaches maximum payout at financial performance above 120 percent and 75 percent of the return on invested capital, as adjusted target and reaches maximum payout at financial performance above 120 percent of this target. Fifty percent of the award is tied to achieving income from operations, as adjusted targets and the remaining 50 percent is tied to achieving return on invested capital, as adjusted targets. The shares may vest

following the end of our 2011 fiscal year or July 1, 2011, based on continuous employment and achievement of performance results for the cumulative period from June 28, 2008 through the end of fiscal year 2011. Up to 50% of the performance shares may vest following the end of our 2010 fiscal year or July 2, 2010, based on continuous employment and achievement of performance results for the cumulative period from June 28, 2008 through the end of fiscal year 2010. Currently, performance shares have not vested for any officer.

(4) 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.

(5) The "Grant Date Fair Value of Stock and Option Awards" column shows the full grant date fair value of the performance shares (at target) and stock options granted in fiscal 2009. The grant date fair value of the performance shares 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 for performance awards was based on a grant price of $5.97 for November 5, 2008 and $4.59 for May 4, 2009, the closing market price of our common stock on the award dates. The assumptions used for determining values are set forth in Note M to our audited consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K, filed with the SEC on September 4, 2009. These amounts reflect our accounting for these grants and do not correspond to the actual values that may be recognized by the named executive officers.

Outstanding Equity Awards at Fiscal Year-End 2009

The following table provides information regarding outstanding unexercised stock options and unvested stock awards held by each of our named executive officers and former named executive officer as of July 3, 2009. Each grant of options or unvested stock awards is shown separately for each named executive officer. The vesting schedule for each award of options is shown in the footnotes following this table based on the option grant date. The material terms of the option awards, other than exercise price and vesting are generally described below in "Proposal No. 4, Approval of the Amended and Restated 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	11/05/08	—	225,486(1)	—	5.97	11/05/15	—	—	—	—
	11/05/08	—	—	—	—	—	—	—	117,252(4)	721,100(6)
Thomas L. Cronan, III	05/04/09	—	84,314(2)	—	4.59	05/04/16	—	—	—	—
	05/04/09	—	—	—	—	—	—	—	46,841(4)	288,072(6)
Paul A. Kennard	11/05/08	—	50,251(2)	—	5.97	11/05/15	—	—	—	—
	11/05/08	—	—	—	—	—	—	—	26,130(4)	160,700(6)
	02/28/07	11,250(2)	3,750(2)	—	20.40	02/28/14	—	—	—	—
	02/28/07	—	—	—	—	—	15,300(5)	94,095(6)	—	—
	06/06/06	30,000(3)	—	—	16.04	06/06/16	—	—	—	—
	06/30/05	12,500(3)	—	—	6.88	06/30/15	—	—	—	—
	03/30/04	37,500(3)	—	—	17.52	03/30/14	—	—	—	—
	12/20/02	21,250(3)	—	—	8.20	12/20/12	—	—	—	—
	05/09/00	1,309(3)	—	—	120.25	05/09/10	—	—	—	—
	05/09/00	7,441(3)	—	—	120.25	05/09/10	—	—	—	—
Heinz H. Stumpe	11/05/08	—	37,326(2)	—	5.97	11/05/15	—	—	—	—
	11/05/08	—	—	—	—	—	—	—	19,409(4)	119,365(6)
	02/28/07	8,475(2)	2,825(2)	—	20.40	02/28/17	—	—	—	—
	02/28/07	—	—	—	—	—	14,600(5)	89,790(6)	—	—
	06/06/06	20,000(3)	—	—	16.04	06/06/16	—	—	—	—

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 ($)
	Option Awards						**Stock Awards**			
	03/30/04	12,500(3)	—	—	17.52	03/30/14	—	—	—	—
Shaun McFall.	11/05/08	—	29,796(2)	—	5.97	11/05/15	—	—	—	—
	11/05/08	—	—	—	—	—	—	—	15,494(4)	95,288(6)
	02/28/07	6,675(2)	2,225(2)	—	20.40	02/28/17	—	—	—	—
	02/28/07	—	—	—	—	—	11,400(5)	70,110(6)	—	—
	06/06/06	16,250(3)	—	—	16.04	06/06/16	—	—	—	—
	06/30/05	5,050(3)	—	—	6.88	06/30/15	—	—	—	—
	03/30/04	8,750(3)	—	—	17.52	03/30/14	—	—	—	—
	12/20/02	8,000(3)	—	—	8.20	12/20/12	—	—	—	—
	10/22/01	6,750(3)	—	—	24.40	10/22/11	—	—	—	—

(1) Stock options vest at a rate of 33 percent of the shares subject to the option on the first anniversary of the grant date, and the remainder vesting at a rate of 1/24th per month until the third anniversary of the grant date by which date all of the options will have vested.

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

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

(4) Performance share vesting may begin at 90 percent of the income from operations, as adjusted target and reaches maximum payout at financial performance above 120 percent and 75 percent of the return on invested capital, as adjusted target and reaches maximum payout at financial performance above 120 percent of this target. Fifty percent of the award is tied to achieving income from operations, as adjusted targets and the remaining 50 percent is tied to achieving return on invested capital, as adjusted targets. The shares may vest following the end of our 2011 fiscal year or July 1, 2011, based on continuous employment and achievement of performance results for the cumulative period from June 28, 2008 through the end of fiscal year 2011. Up to 50% of the performance shares may vest following the end of our 2010 fiscal year or July 2, 2010, based on continuous employment and achievement of performance results for the cumulative period from June 28, 2008 through the end of fiscal year 2010. Currently, performance shares have not vested for any officer.

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

(6) Market value is based on the closing sales price of a share of Class A common stock of $6.15 on July 2, 2009, as reported on the NASDAQ Global Market.

Option Exercises and Stock Vested in Fiscal 2009

The following table provides information for each of our named executive officers and former executive officer regarding (1) Harris stock option exercises during fiscal 2009, including the number of Harris shares acquired upon exercise and the value realized, (2) the number of Harris shares acquired upon the vesting of stock awards during fiscal 2009 and (3) the number of Harris Stratex Networks Class A shares acquired upon the vesting of stock awards during fiscal 2009. No options to purchase Class A common stock were exercised during fiscal 2009.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise(1)($)	Number of Shares Acquired on Vesting (#)	Value Received on Vesting ($)
Harald J. Braun(2)	—	—	10,661	44,562
Thomas L. Cronan, III	—	—	—	—
Paul A. Kennard	—	—	—	—
Heinz H. Stumpe	—	—	—	—
Shaun McFall	—	—	—	—
Sarah A. Dudash	18,900	225,624	1,300	67,275(3)

(1) All options exercised related to Harris options and awards.

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

(3) 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 July 3, 2009, 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)	1,857,381	$ 7.94	3,058,363
Equity Compensation plans not approved by security holders(3)	1,693,820	$25.52	—
Total	3,551,201	$18.59	3,058,363

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

(2) Consists solely of our 2007 Stock Equity Plan. Includes 1,103,177 Shares related to stock options, 669,484 performance shares and 176,975 restricted shares.

(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 and are not included in the 2007 Stock Equity Plan. The Stratex plans were duly approved by the shareholders of Stratex prior to the merger with us. No shares are available for future awards under those plans.

Potential Payments Upon Termination or Change of Control

Employment agreements have been established with each of the continuing named executive officers, which provide for such executives to receive certain payments and benefits if their employment with us is terminated. These arrangements are set forth in detail below assuming a termination event on July 3, 2009 based on our stock price on that date. The Board has determined that such payments and benefits are an integral part of a competitive compensation package for our executive officers.

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

Name	Conditions for Payouts	Number of Months (#)	Base per Month (1)($)	Months Times Base ($)	Target Bonus (2)($)	Total Severance Payments ($)	Accelerated Equity Vesting (3)($)	Continuation of Insurance Benefit (4)($)	Out-Placement Services (5)($)	Total ($)
Harald J. Braun	Termination without cause or for good reason	24	57,917	1,390,008	1,390,000	3,230,008(7)	268,403	22,021	—	3,520,432
	Within 6 months before or 18 months after Change of Control	36	57,917	2,085,012	1,390,000	3,925,012(7)	761,687	33,032	—	4,719,731
Thomas L. Cronan, III.	Termination without cause or for good reason, or due to disability	12	25,000	300,000	50,000(6)	350,000	144,036	17,530	30,000	541,566
	Within 18 months after Change of Control	24	25,000	600,000	150,000(6)	750,000	419,602	35,060	30,000	1,234,662
Paul A. Kennard	Termination without cause or for good reason, or due to disability	12	27,066	324,792	377,000	701,792	—	6,129	30,000	737,921
	Within 18 months after Change of Control	24	27,066	649,584	377,000	1,026,584	263,840	12,258	30,000	1,332,682
Heinz H. Stumpe	Termination without cause or for good reason, or due to disability	12	27,083	324,996	325,000	649,996	—	5,303	30,000	685,299
	Within 18 months after Change of Control	24	27,083	649,992	325,000	974,992	215,874	10,606	30,000	1,231,472
Shaun McFall	Termination without cause or for good reason, or due to disability	12	22,334	268,008	241,200	509,208	—	17,349	30,000	556,557
	Within 18 months after Change of Control	24	22,334	536,016	241,200	777,216	170,761	34,698	30,000	1,012,675

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

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

(3) Reflects acceleration of outstanding equity awards as of July 3, 2009.

(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 if termination occurs within three years of the start date.

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

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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.

SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Directors, executive officers and greater than 10 percent holders are required by SEC regulation to furnish us with copies of all Section 16(a) reports they file. Based solely on our review of Forms 3 and 4 received during fiscal 2008, and Forms 5 (or any written representations) received with respect to fiscal year 2009, we believe that all directors, officers, executive officers and 10 percent stockholders complied with all applicable Section 16(a) filing requirements during fiscal 2009.

PROPOSAL NO. 1:

ELECTION OF DIRECTORS

At the 2009 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 September 1, 2009, following the recommendation of our Governance and Nominating Committee, the Board re-nominated the eight Class A director nominees listed below for re-election to serve on the Board following the annual meeting. Unless you attend the annual meeting in person and submit a ballot that indicates your intent to withhold your vote in favor of any or all of the 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.

DIRECTORS

Name	Title	Age
Charles D. Kissner	Chairman of the Board	62
Harald J. Braun	Director, Chief Executive Officer	53
Eric C. Evans	Director	56
William A. Hasler	Director	67
Clifford H. Higgerson	Director	69
Dr. Mohsen Sohi	Director	50
Dr. James C. Stoffel	Director	63
Edward F. Thompson	Director	71

Vote Required

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

RECOMMENDATION OF THE BOARD OF DIRECTORS

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

PROPOSAL NO. 2:

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board has appointed Ernst & Young LLP as our independent registered public accounting firm to audit our consolidated financial statements for the fiscal year ending July 2, 2010. During fiscal year 2009, Ernst & Young LLP served as our independent registered public accounting firm and provided certain tax and other audit related services.

Vote Required

Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending July 2, 2010 requires the affirmative vote of a majority of the shares of our Class A common stock present in person or represented by proxy and entitled to vote at the meeting. If the appointment is not ratified, the Audit Committee will consider whether it should select another independent registered public accounting firm.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE COMPANY'S BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE AUDIT COMMITTEE'S APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE 2010 FISCAL YEAR

PROPOSAL NO. 3

APPROVAL OF THE 2010 EMPLOYEE STOCK PURCHASE PLAN

We are requesting that the stockholders vote in favor of approving the 2010 Employee Stock Purchase Plan (the "ESPP"), which was approved, upon the recommendation of the Compensation Committee and subject to stockholder approval, by the Board on September 1, 2009. A copy of the ESPP is attached as Appendix A. The following description is only a summary of the ESPP and we encourage you to read it in its entirety in order to review the actual terms of the ESPP.

Effective Date. If approved by the stockholders, the ESPP will go into effect on January 1, 2010.

Purpose. The ESPP provides an incentive to, and encourages stock ownership by, all eligible employees of the Company and participating subsidiaries so that they may share in our growth by acquiring or increasing their share ownership in the Company. The ESPP is designed to encourage eligible employees to remain in our employ. It is intended that the ESPP constitute an "employee stock purchase plan" within the meaning of Section 423 of the Code. Under the ESPP, eligible executive officers and employees who wish to do so may purchase shares of the Company's Class A common stock through payroll deductions.

Shares Subject to the Plan. The shares issued or to be issued under the ESPP are authorized but unissued shares of the Company's Class A common stock. The ESPP authorizes the issuance of up to 850,000 shares of Class A common stock.

Administration. The ESPP 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 ESPP, to make or to select the manner of making all determinations with respect to options granted under the ESPP. Further, the Compensation Committee has complete authority to interpret the ESPP, to prescribe, amend and rescind rules and regulations relating to it, and to make all other determinations necessary or advisable for the administration of the ESPP.

Terms of Participation. The ESPP will be implemented through a series of purchase periods called "plan periods." Each plan period begins on the first business day of each January, April, July and October and ends on the last business day of the following March, June, September and December, respectively. An eligible employee will be granted an option at the beginning of the plan period, and can accumulate money to pay the exercise price for the option by electing to have payroll deductions taken from each payroll during a plan period of an amount between 1% and 15% of his or her compensation, but will not exceed $25,000 on an annual basis. At the end of each plan period, unless the participating employee has withdrawn from the ESPP, the option will be exercised by applying the employee's accumulated payroll deductions to the purchase of Common Stock. The exercise price paid by the employee will be 95% of the fair market value of the Company's Class A common stock at the end of the plan period.

Eligibility. Employees of the Company or a participating subsidiary are eligible to participate in the ESPP if we employ them for at least 20 hours per week and at least five months per year. Currently, approximately 770 employees are expected to be eligible to participate in the ESPP. However, no employee shall be granted an option under the ESPP if, immediately after the grant, the employee would own stock, including any outstanding options to purchase stock, equaling 5% or more of the total voting power or value of all classes of our stock. In addition, the ESPP provides that no employee may be granted an option if the option would permit the employee to purchase stock under all of our employee stock purchase plans in an amount that exceeds $25,000 of the fair market value of such stock for each calendar year in which the option is outstanding.

Corporate Transactions. In the event of a dissolution or liquidation of the Company, the plan period then in progress will terminate. In the event of another significant corporate transaction such as a merger or consolidation of us with and into another person or entity or the sale or transfer of all or substantially all of our assets, each right to purchase stock under the ESPP will be assumed, or an equivalent right will be substituted by, the successor corporation. In the event that the successor corporation refuses to assume each purchase right or to substitute an equivalent right, any ongoing offering period will be shortened so that employees' rights to purchase stock under the ESPP are exercised prior to the transaction, unless the employee has withdrawn.

Amendment and Termination. The Board has the power to amend or terminate the ESPP and to change or terminate plan periods as long as any action does not adversely affect any outstanding rights to purchase stock; provided, however, that the Board may amend or terminate the ESPP or a plan period even if it would adversely affect outstanding options in order to avoid our incurring adverse accounting charges or if the Board determines that termination of the ESPP and/or plan period is in our best interest and the best interest of our stockholders. The ESPP will continue in effect until terminated by the Board.

Amount of Benefits. The dollar value of benefits that will be received by any employee or group of employees in the ESPP is not determinable due to the voluntary nature of the ESPP and the variables involved in the calculation of any such benefits (including our stock price).

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 ESPP. This summary is not comprehensive and is based upon laws and regulations in effect on April 1, 2009. Such laws and regulations are subject to change. This summary is intended for the information of stockholders considering how to vote and not as tax guidance to participants in the ESPP. Employees participating in the ESPP should consult their own tax advisors as to the tax consequences of participation.

An employee will not have to report taxable income either upon receipt of an option under the ESPP or upon exercise of the option. An employee may have to report income upon the sale of shares acquired by exercising the option, and the employee will be taxed on such income in the same way as any other compensation for services. The amount of taxable income that an employee must report depends upon the employee's specific circumstances, as follows. If an employee sells his or her shares within two years after the date he or she received the option, or within one year after he or she exercised the option, the employee will have to report as compensation income the difference between the value of the shares at the date of exercise and the amount the employee paid for the shares. If an employee sells his or her shares more than two years after the date he or she received the option, and more than one year after he or she exercised the option, the employee will have to report as compensation income the lesser of: (i) the value of the shares at the sale date minus the option exercise price, or (ii) the value of the shares at the grant date minus the option exercise price. In addition, an employee may also have a capital gain or loss upon sale of the shares. The amount of gain or loss will be measured by the difference between the amount received from the sale of the shares and the employee's basis in the shares. An employee's basis in the shares is the exercise price paid for the shares plus the amount of compensation income reported in connection with the sale of the shares. For purposes of the foregoing summary, we assumed that no option under the ESPP 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 Internal Revenue Code of 1986, as amended (the "Code"), or, if any option was 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 option includes deferred compensation, and its terms do not comply with the requirements of the legislation, then any deferred compensation component of an option under the ESPP 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.

Although the foregoing summarizes the essential features of the ESPP, it is qualified in its entirety by reference to the full text of the ESPP as attached. We rely on the ESPP, and our employees' ability to purchase stock of the Company thereunder, as an essential part of the benefits package necessary to attract and retain qualified and experienced employees. The Board believes that adoption of the ESPP is essential to permit the Company to continue to provide long-term equity based incentives to present and future employees and to align employees' interests with those of the Company's stockholders.

Vote Required

Approval of the ESPP requires the affirmative vote of a majority of the shares of Class A common stock of the Company present in person or by proxy and entitled to vote at the meeting.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE COMPANY'S BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE 2010 EMPLOYEE STOCK PURCHASE PLAN

PROPOSAL NO. 4

APPROVAL OF THE AMENDED AND RESTATED 2007 STOCK EQUITY PLAN

We are requesting that the stockholders vote in favor of approving the 2007 Stock Equity Plan as amended and restated by the Board on September 14, 2009, upon the recommendation of the Compensation Committee and subject to the approval of the stockholders (the "Amended 2007 Plan"). The Amended 2007 Plan is intended to amend, restate and continue the Company's 2007 Stock Equity Plan (the "2007 Plan") on the date on which the Amended 2007 Plan is approved by our stockholders. Any awards granted under the 2007 Plan would remain in effect pursuant to their terms and the terms of the 2007 Plan prior to the approval of the Amended 2007 Plan.

Set forth below is a summary of the Amended 2007 Plan, which is qualified in its entirety by the specific language of the Amended 2007 Plan, a copy of which is attached to this proxy statement as Appendix B.

The Amended 2007 Plan makes several changes principally related to the maximum total number of shares of Class A common stock we may issue under the 2007 Plan. The primary changes are:

- increase the maximum total number of shares of Class A common stock we may issue by 5,400,000 shares from 5,000,000 to 10,400,000;
- provide that any grant of a stock option or stock-settled stock appreciation right shall be counted against the maximum share limitation under the Amended 2007 Plan as one share of Class A common stock, but that any grant of any other award denominated and settled in shares, such as restricted stock, will be counted against the maximum share limitation under the Amended 2007 Plan as 1.31 shares of Class A common stock common stock;
- eliminate from the definition of "Change of Control" the Board determination that a Change of Control has occurred; and
- require stockholder approval of certain changes to the Amended 2007 Plan and awards granted thereunder, in addition to those changes, such as repricings, already requiring stockholder approval under the 2007 Plan.

As of September 22, 2009, a total of 3,148,447 shares of Class A common stock remained available for issuance under the 2007 Plan. After giving effect to authorized long-term incentive awards for fiscal year 2010-12 that will be granted before the end of calendar year 2009, it is anticipated that approximately 1,450,000 shares of Class A common stock will remain available for issuance under the 2007 Plan, prior to the proposed increase in the maximum number of shares issuable under the 2007 Plan. The purpose of the increase in authorized shares is to secure adequate shares to fund expected awards under our long-term incentive program. Our Board believes that this number represents a reasonable amount of potential equity dilution and allows us to continue awarding equity incentives, which are an important component of our overall compensation program.

Summary of Amended 2007 Plan

Purpose. The Amended 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 Amended 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 Amended 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 Amended 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 Amended 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. Currently, approximately 120 employees will be eligible under the Amended 2007 Plan.

Shares Subject to the Amended 2007 Plan. The shares issued or to be issued under the Amended 2007 Plan are authorized but unissued shares of the Company's Class A common stock. Subject to adjustment for changes in capitalization, the maximum number of shares of Class A common stock which may be issued or made subject to awards under the Amended 2007 Plan is 10,400,000 (which will include any shares delivered, issued or subject to awards granted under the 2007 Plan prior to the approval of the Amended 2007 Plan by our stockholders), and no more than 10% of the available Amended 2007 Plan shares of Class A common stock may be covered by awards issued to any one person in any one calendar year.

Subject to adjustment for changes in capitalization, in the case of any awards granted under the Amended 2007 Plan following the approval of the Amended 2007 Plan by our stockholders, (x) each share with respect to which an option or stock-settled SAR is granted under the Amended 2007 Plan will reduce the aggregate number of shares that may be delivered under the Amended 2007 Plan by one share and (y) each share with respect to which any other award denominated in shares is granted under the Amended 2007 Plan will reduce the aggregate number of shares that may be delivered under the Amended 2007 Plan by 1.31 shares. Upon exercise of a stock-settled SAR, each share with respect to which such stock-settled SAR was exercised would be counted as one share against the maximum aggregate number of shares available under the Amended 2007 Plan, regardless of the number of shares actually delivered upon settlement of such stock-settled SAR. Settlement of any award shall not count against the number of shares available for delivery under the Amended 2007 Plan except to the extent settled in the form of shares. If, after the effective date of the Amended 2007 Plan, any award granted under the Amended 2007 Plan or 2007 Plan were forfeited, or otherwise expired, terminated or were canceled without the delivery of all shares subject thereto, or were settled other than by the delivery of shares (and in the case of cash settlement, for less than the then-market value), then the number of shares subject to such award that were not issued would not be treated as issued, such that the aggregate number of shares that may be delivered pursuant the Amended 2007 Plan will be increased by the number of shares by which the aggregate number of shares was reduced at the time the original award was granted.

Types of Awards. Awards under the Amended 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. On September 18, 2009, the last share price of our Class A common stock listed on the NASDAQ Global Market was $7.43.

- 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. The term of any SAR may not exceed seven years.

- 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 any cash dividends will be deferred and, if cash 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 Amended 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 Amended 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 Amended 2007 Plan and the Amended 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 Amended 2007 Plan may provide, as determined by the Compensation Committee, or the Compensation Committee may elect 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 (excluding the employee benefit plans and trustees of employee benefits plans for the Company and its affiliates, and any underwriters temporarily holding securities prior to an offering of such securities); or (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 Amended 2007 Plan or directors who have served throughout the period, or (ii) 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.

Amendments to the Amended 2007 Plan. Generally the Board may amend or modify the Amended 2007 Plan at any time subject to the rights of holders of outstanding awards on the date of amendment or modification. However, the Board may not amend the 2007 Plan, without stockholder approval, to (i) change the description of the persons eligible for awards under the Amended 2007 Plan, (ii) increase the number of shares of Class A common stock available under the Amended 2007 Plan, except as necessary to carry out adjustments for changes in capitalization, or (iii) change the basis on which shares under any award are taken into account for purposes of the limitation on the number of shares of Class A common stock available under the Plan.

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 Amended 2007 Plan. This summary is not comprehensive and is based upon laws and regulations in effect at the date of this Proxy Statement. 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 Amended 2007 Plan. Participants in the Amended 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 Amended 2007 Plan.
- *Potential deferred compensation.* For purposes of the foregoing summary of federal income tax consequences, we assumed that no award under the Amended 2007 Plan will be considered "deferred compensation" as that term is defined for purposes of 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 Amended 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 Amended 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.

New Plan Benefits. For non-executive key employees, the Board has authorized management to award stock options to purchase up to 1,269,530 shares of our Class A common stock under the Amended 2007 Plan if the plan is approved by stockholders.

Name and Position or Group	Dollar Value ($)	Number of Options
Harald J. Braun, President, Chief Executive Officer and Director	—	0
Thomas L. Cronan, III, Senior Vice President and Chief Financial Officer,	—	0
Paul A. Kennard, Senior Vice President and Chief Technology Officer	—	0
Heinz H. Stumpe, Senior Vice President and Chief Operating Officer	—	0
Shaun McFall, Senior Vice President and Chief Marketing Officer	—	0
Sarah A. Dudash, former Senior Vice President and Chief Financial Officer	—	0
Executive Officer Group	—	0
Non-Executive Director Group	—	0
Non-Executive Officer Employee Group	—	1,269,530
Total		1,269,530

Options Warrants, Rights and Restricted Stock Received Under the 2007 Plan. The table below sets forth the number of options, warrants, rights and restricted stock received, at any time on or prior to September 18, 2009, by the individuals and groups listed in the table. No additional options, warrants, rights and restricted stock have been granted since such date to the following individuals or groups:

Name and Position	Number of Shares of Class A Common Stock Underlying Options	Number of Shares of Class A Common Stock Underlying Restricted Stock	Number of Shares of Class A Common Stock Underlying Performance Shares
Harald J. Braun, President, Chief Executive Officer and Director	225,486	10,661	117,252
Thomas L. Cronan, III, Senior Vice President and Chief Financial Officer	84,314	0	46,841
Paul A. Kennard, Senior Vice President and Chief Technology Officer	65,251	0	48,730
Heinz H. Stumpe, Senior Vice President and Chief Operating Officer	48,626	0	39,509
Shaun McFall, Senior Vice President and Chief Marketing Officer	38,696	0	31,194
Sarah A. Dudash, former Senior Vice President and Chief Financial Officer(1)	78,820	11,700	40,374
Executive Officer Group	722,267	22,361	445,769
Non-Executive Director Group	0	180,898	0
Charles D. Kissner (nominee for Class A Director)	0	31,444	0
Eric C. Evans (nominee for Class A Director)	0	26,134	0
William A. Hasler (nominee for Class A Director)	0	24,664	0
Clifford H. Higgerson (nominee for Class A Director)	0	24,664	0
Dr. Mohsen Sohi (nominee for Class A Director)	0	24,664	0
Dr. James C. Stoffel (nominee for Class A Director)	0	24,664	0
Edward F. Thompson (nominee for Class A Director)	0	24,664	0
Each associate of any such directors, executive officers or nominees	0	0	0
Each other person who received or is to receive 5% of such options, warrants or rights	0	0	0
Non-Executive Officer Employee Group	31,359	0	16,062

(1) This amount reflects the number of shares granted to Ms. Dudash as of February 13, 2009. The options expired upon Ms. Dudash's resignation date.

Vote Required. Approval of the Amended 2007 Plan requires the affirmative vote of the majority of the shares of our Class A common stock, present in person or represented by proxy and entitled to vote at the meeting.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE COMPANY'S BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE AMENDED AND RESTATED 2007 STOCK EQUITY PLAN

PROPOSAL NO. 5

APPROVAL OF THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION.

We are requesting that the stockholders vote in favor of approving the Company's Amended and Restated Certificate of Incorporation. In a Board meeting on September 1, 2009, upon recommendation of our Governance and Nominating Committee and subject to stockholder approval, the Board approved certain amendments to be made to the Company's Amended and Restated Certificate of Incorporation. A copy of the proposed Amended and Restated Certificate of Incorporation is attached as Appendix C to this Proxy Statement.

From the time we acquired Stratex on January 26, 2007, Harris Corporation ("Harris") owned 32,913,377 shares or 100% of our Class B common stock which approximated 56% of the total shares of our common stock. On March 31, 2009, Harris issued a press release announcing that its Board of Directors approved the spin-off to its shareholders of all the shares of Harris Stratex owned by Harris. The spin-off took place in the form of a taxable pro rata stock dividend payable on May 27, 2009 to the Harris shareholders of record as of 5:30 p.m. Eastern Time on May 13, 2009, the record date for the spin-off dividend. Pursuant to the terms of our existing Amended and Restated Certificate of Incorporation (the "Existing Certificate of Incorporation"), the shares of Class B common stock previously held by Harris were automatically converted into Class A common stock upon the spin-off. Harris shareholders received approximately 0.24 of a share of our Class A common stock for every share of Harris common stock they owned on the record date. As such, only shares of our Class A common stock are outstanding and no shares of Class B common stock are outstanding.

We are not authorized under the Existing Certificate of Incorporation to issue any additional shares of Class B common stock. As a result, since May 27, 2009, our common equity has consisted solely of Class A common stock, and we have no further ability to issue additional shares of Class B common stock.

Accordingly, our Board has approved an amendment to our Existing Certificate of Incorporation that will remove all references to Class B common stock, including but not limited to provisions relating to rights and privileges of Class B common stock (including rights with respect to voting, dividends, rights upon liquidation, pre-emptive rights and the right of its holders to elect and remove Class B directors and engage in corporate opportunities) and the conversion of the Class B common stock into Class A common stock. The amendment to our Existing Certificate of Incorporation would rename our remaining class of equity — our Class A common stock — as simply our "Common Stock".

Furthermore, pursuant to Article V of our Existing Certificate of Incorporation, the Company initially opted-out of the provisions provided by Section 203 of the Delaware General Corporation Law. Section 203 prohibits an acquirer of more than 15% of the Company's stock without Board approval from completing a back-end merger or other business combination with the Company within the next three years except (i) if approved by two-thirds of the other stockholders or (ii) made in response to a third party's acquisition proposal which has been approved by continuing directors. The "opting-out" of Section 203 was no longer effective once Harris' interest in Company stock dropped below 15%. As such, the terms of Article V of our Existing Certificate of Incorporation no longer apply.

Our Board believes that the adoption of these amendments is advisable because the amendments simplify the Existing Certificate of Incorporation by removing references to the Class B common stock, which is a class of common stock that may no longer be issued by us. Additionally, our Board believes that the amendment to rename the Class A common stock as "Common Stock" will help to eliminate any mistaken belief on the part of the investing public and/or others who report on or follow our publicly-traded equity securities that we may have outstanding another class of common equity. The proposed amendments do not change any substantive provisions of our Existing Certificate of Incorporation (including our Certificate of Designations of Series A Junior Participating Preferred Stock) or alter the rights and privileges pertaining to our Class A common stock or the holders thereof.

Our Board does not believe that there are any disadvantages or anti-takeover effects to these proposed amendments. Further, our Board believes that the proposed amendments will have no impact on the publicly traded shares of Class A common stock or on the share price of the Class A common stock because the proposed amendments are of a "clean up" nature only.

If the Amended and Restated Certificate of Incorporation is approved by the stockholders, Class A directors and Class B directors will all be directors, without any class designation, and all other references to Class A common stock shall refer to our "Common Stock".

Vote Required

Approval of the Amended and Restated Certificate of Incorporation requires the affirmative vote of the majority of the shares of our Class A common stock entitled to vote at the meeting.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE COMPANY'S BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OTHER MATTERS

2009 Annual Report

Our annual report for the fiscal year ended July 3, 2009 will be available over the internet and is mailed along with the other proxy materials to all stockholders who request printed copies in the manner specified in the Notice in this Proxy Statement.

Form 10-K

We filed an annual report on Form 10-K for the fiscal year ended July 3, 2009 with the SEC on September 4, 2009. 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 20, 2009.

HARRIS STRATEX NETWORKS, INC.
2010 EMPLOYEE STOCK PURCHASE PLAN

HARRIS STRATEX NETWORKS, INC.

2010 Employee Stock Purchase Plan

1. *Purpose and History*

The purpose of this Plan is to give Employees wishing to do so a convenient means of purchasing Common Stock of the Company through payroll deductions. The Company believes that ownership of Common Stock by Employees will foster greater Employee interest in the Company's growth and development.

This Plan was adopted by the Board on September 1, 2009. It is the Company's intention that the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code. The provisions of the Plan shall, accordingly, be construed in a manner consistent with the requirements of that Code section.

2. *Definitions*

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

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

2.2. *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.

2.3. *Committee* means the Compensation Committee of the Board or such other committee delegated responsibility by the Board 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.

2.4. *Common Stock* or *Stock* means the Class A common stock, par value $.01 per share, of the Company.

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

2.6. *Compensation* means an Employee's regular earnings plus commissions, lump sum cash payments of merit pay increases, overtime, short-term disability pay, unused vacation pay, and certain management-approved incentive bonuses.

2.7. *Continuous Status as an Employee* means the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of (i) sick leave; (ii) military leave; (iii) any other leave of absence approved by the Plan administrator, provided that such leave is for a period of not more than three (3) months, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to Company policy adopted from time to time; or (iv) transfers between locations of the Company or between the Company and a Covered Entity.

2.8. *Contributions* means all amounts credited to the account of a Participating Employee pursuant to the Plan.

2.9. *Corporate Transaction* means (1) any merger or consolidation of the Company with or into another entity as a result of which the Stock of the Company is converted into or exchanged for the right to receive cash, securities or other property or is cancelled, (2) any sale or exchange of all of the Stock of the Company for cash, securities or other property, (3) any 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 or (4) any liquidation or dissolution of the Company.

2.10. *Covered Entity* means any Subsidiary that may adopt the Plan from time to time in accordance with the procedures set forth in Section 14 hereof with the Company's consent.

2.11. *Effective Date* means January 1, 2010.

2.12. *Employee* means an employee of the Company or a Covered Entity who is customarily employed for at least twenty (20) hours per week and more than five (5) months in a calendar year.

2.13. *Exchange Act* means the Securities Exchange Act of 1934, as amended.

2.14. *Fair Market Value* has the meaning set forth in Section 6.4(c), below.

2.15. *New Plan Period Termination Date* has the meaning set forth in Section 12.4, below.

2.16. *Participating Employee* means an Employee who elects to participate in the Plan pursuant to Section 6.2, below.

2.17. *Payroll Deduction* means a payroll deduction specified by a Participating Employee to be made from each paycheck during the Plan Period for the purchase of Shares under this Plan.

2.18. *Plan* means this Harris Stratex Networks, Inc. 2009 Employee Stock Purchase Plan.

2.19. *Plan Period Commencement Date* means the first day of each Plan Period.

2.20. *Plan Period Termination Date* means the last day of each Plan Period.

2.21. *Plan Period* means each successive period described in Section 6.1, at the end of which each Participating Employee shall purchase Shares.

2.22. *Purchase Price* means with respect to a Plan Period an amount equal to ninety five percent (95%) of the Fair Market Value (as defined in Section 6.4(c) below) of a Share on the Plan Period Termination Date.

2.23. *Share* means a share of Common Stock, as adjusted in accordance with Section 12 of the Plan.

2.24. *Subsidiary* means a corporation, in an unbroken chain of corporations beginning with the Company if, at the time of the granting of the option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

3. *Shares Reserved For The Plan*

Subject to adjustment as provided in Section 12 hereof, the number of Shares reserved for issuance hereunder shall be eight hundred fifty thousand (850,000). For purposes of applying the foregoing limitation, if any option expires, terminates or is cancelled for any reason without having been exercised in full, the Shares not purchased or received by the Employee shall again be available for options to be granted under the Plan. Shares issued pursuant to the Plan may be either authorized but unissued shares or shares held by the Company in its treasury.

4. *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*, that the Committee may delegate its duties in order to facilitate the purchase and transfer of Shares and to provide for the day-to-day administration of the Plan with all powers necessary to enable the delegate to carry out its duties in that respect. 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 option to be granted by the Company under the Plan. In making such determinations, the Committee may take into account such 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 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 option granted pursuant to hereto.

5. *Eligibility for Awards*

Subject to the requirements of Section 6.2 and the limitations imposed by Section 423(b) of the Code, any Employee shall be eligible to participate in a Plan Period under the Plan as of the applicable Plan Period Commencement Date. Notwithstanding any provision of the Plan to the contrary, no Employee shall be granted an option under the Plan (i) if, immediately after the grant, such Employee (taking into account stock which would be attributed to such Employee pursuant to Section 424(d) of the Code) would own capital stock of the Company and/or hold outstanding options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Subsidiary of the Company, or (ii) if such option would permit his or her rights to purchase stock under all employee stock purchase plans (described in Section 423 of the Code) of the Company and its Subsidiaries to accrue at a rate which exceeds twenty-five thousand dollars ($25,000) of the Fair Market Value of such stock (determined on the basis of the Fair Market Value of such stock on the date or dates such option was granted) for each calendar year in which such option is outstanding at any time.

6. *Terms of Participation*

6.1. *Plan Periods.* Each calendar year shall be divided into four Plan Periods, beginning on the first day of each January, April, July and October and ending on the last day of the immediately following March, June, September and December, respectively. Each such period is referred to herein as a "Plan Period."

6.2. *Election to Participate and Plan Deductions.*

(a) Shares shall be offered for purchase under the Plan through a series of successive, non-overlapping Plan Periods until such time as (i) the maximum number of Shares available for issuance under the Plan shall have been purchased or (ii) the Plan shall have been sooner terminated. At any time and from time to time, the Committee may change the duration and/or the frequency of Plan Periods or suspend operation of the Plan with respect to Plan Periods not yet commenced.

(b) An eligible Employee may become a Participating Employee in the Plan by completing an enrollment agreement on the form provided by the company and filing it with the Company prior to the Company's enrollment deadline for the Plan Period in which such Employee desires to participate, unless a later time for filing the subscription agreement is set by the Committee for all eligible Employees with respect to a given Plan Period. The enrollment agreement shall set forth the percentage of the Employee's Compensation (subject to Section 6.2(c) below) to be paid as Contributions pursuant to the Plan. Payroll deductions shall commence on the first payroll following the Plan Period Commencement Date and shall end on the last payroll paid on or prior to the Plan Period Termination Date, unless sooner terminated by the Participating Employee as provided in Section 6.7.

(c) A Participating Employee may elect to have payroll deductions taken from each payroll during any Plan Period in an amount not less than one percent (1%) and not more than fifteen percent (15%) (or such other percentage as the Committee may establish from time to time before any Plan Period Commencement Date) of such Participating Employee's Compensation on each payroll date during the Plan Period. All payroll deductions made by a Participating Employee shall be credited to his or her account under the Plan. No interest shall accrue on Contributions to the Plan. A Participating Employee may not make any additional payments into such account.

(d) Unless the Committee announces otherwise before the start of a particular Plan Period, an eligible Employee's enrollment agreement in effect at the end of one Plan Period will remain in effect for each subsequent Plan Period.

(e) A Participating Employee may discontinue his or her participation in the Plan as provided in Section 6.7. In addition, if the Committee has so announced to Employees at least five (5) days prior to the scheduled beginning of the next Plan Period to be affected by the Committee's determination, a Participating Employee may, on one occasion only during each Plan Period, change the rate of his or her Contributions with respect to the Plan Period by completing and filing with the Company a new enrollment agreement authorizing a change in the payroll deduction rate; *provided, however*, that no such change shall enable a Participating Employee to resume Contributions other than as of a Plan Period Commencement Date following a withdrawal of Contributions during a Plan Period pursuant to Section 6.7. Any such change in payroll deduction rate shall be effective as of the first payroll period following the date of filing of the new enrollment agreement, if the agreement is filed at least ten (10) business days prior to such period and, if not, as of the second following payroll period.

(f) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 5 herein, a Participating Employee's Payroll Deductions may be decreased during any Plan Period to zero percent (0%). Payroll Deductions reduced to zero percent (0%) in compliance with this Section 6.2(f) shall recommence automatically at the rate provided in such Participating Employee's enrollment agreement at the beginning of the next Plan Period, unless terminated by the Participating Employee as provided in Section 6.7.

(g) Any amounts left over in a Participating Employee's account upon expiration or termination of the Plan (or upon a withdrawal by a Participating Employee or upon a Participating Employee purchasing the maximum dollar amount or number of shares hereunder) shall be returned to the Participating Employee.

6.3. *Shares.*

(a) If the Committee determines that, on a given Plan Period Termination Date, the number of shares with respect to which options are to be exercised may exceed (i) the number of Shares that were available for sale under the Plan on the Plan Period Commencement Date, or (ii) the number of shares available for sale under the Plan on such Plan Period Termination Date, then the Company shall make a pro rata allocation of the Shares available for purchase on such Plan Period Termination Date in as uniform a matter as shall be practicable and as it shall determine in its sole discretion to be equitable among all Participating Employees exercising options to purchase Common Stock on such Plan Period Termination Date. The Company shall make pro rata allocation of the Shares available on the Plan Period Commencement Date pursuant to the preceding sentence, notwithstanding any authorization of additional Shares for issuance under the Plan by the Company's stockholders subsequent to such Plan Period Commencement Date.

(b) The Participating Employee shall have no interest or voting right in Shares covered by his or her option until such option has been exercised.

(c) Shares to be delivered to a Participating Employee under the Plan will be registered in the name of the Participating Employee.

6.4. *Grant of Options.*

(a) A Participating Employee shall be granted a separate purchase right for each Plan Period in which he or she participates. The purchase right shall be granted on the Plan Period Commencement Date for the Plan Period and shall provide the Participating Employee with the right to purchase Shares upon the terms set forth below.

(b) The number of Shares purchasable by a Participating Employee on each Plan Period Termination Date during the Plan Period, pursuant to Section 6.5 below, shall be determined by dividing such Employee's Contributions accumulated during such Plan Period prior to such Plan Period Termination Date and retained in the Participating Employee's account as of the Plan Period Termination Date by the applicable Purchase Price. However, the maximum number of Shares a Participating Employee may purchase during each Plan Period shall be determined by the Committee and announced to Employees at least five (5) days prior to the scheduled beginning of the next Plan Period to be affected by the Committee's determination, provided further that such purchase shall be subject to the limitations set forth in Sections 6.2(c).

(c) The fair market value of the Shares on a given date (the "Fair Market Value") means the value of a share of common 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 Fair Market Value of the common stock as of any date, is the closing price for the common stock as reported by the NASDAQ Global Market (or on any other national securities exchange on which the common 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.

6.5. *Exercise.* Unless a Participating Employee withdraws from the Plan as provided in Section 6.7, each purchase right shall be automatically exercised on each Plan Period Termination Date, and Shares shall accordingly be purchased on behalf of each Participating Employee on each such Plan Period Termination Date. The purchase shall be effected by applying the Participating Employee's Payroll Deductions for the Plan Period ending on such Plan Period Termination Date to the purchase of Shares (subject to the limitation on the maximum number of Shares purchasable per Participating Employee on any one Plan Period Termination Date) at the Purchase Price in effect for the Participating Employee for that Plan Period Termination Date. The Shares purchased upon exercise of an option hereunder shall be deemed to be transferred to the Participating Employee on the Plan Period Termination Date. During his or her lifetime, a Participating Employee's option to purchase Shares hereunder is exercisable only by him or her.

6.6. *Delivery*. As promptly as practicable after each Plan Period Termination Date, the Company shall arrange the delivery to each Participating Employee, as appropriate, of the Shares purchased upon exercise of his or her option.

6.7. *Voluntary Withdrawal; Termination of Employment*.

(a) A Participating Employee may withdraw all but not less than all of the Contributions credited to his or her account under the Plan at any time prior to each Plan Period Termination Date by giving written notice to the Company in accordance with the Company's policy regarding withdrawal from the Plan. All of the Participating Employee's Contributions credited to his or her account will be paid to him or her promptly after receipt of his or her notice of withdrawal and his or her option for the current Plan Period will be automatically terminated, and no further Contributions for the purchase of Shares will be made (or will be permitted to be made) during the Plan Period.

(b) Upon termination of the Participating Employee's Continuous Status as an Employee prior to a Plan Period Termination Date for any reason, including retirement or death, the Contributions credited to his or her account will be returned to him or her or, in the case of his or her death, to the person or persons entitled thereto under Section 8, and his or her option will be automatically terminated.

(c) In the event a Participating Employee fails to remain in Continuous Status as an Employee of the Company for at least twenty (20) hours per week during the Plan Period in which the Employee is a Participating Employee, he or she will be deemed to have elected to withdraw from the Plan and the Contributions credited to his or her account and remaining there will be returned to him or her and his or her option terminated.

(d) A Participating Employee's withdrawal during a Plan Period will not have any effect upon his or her eligibility to participate in a succeeding Plan Period or in any similar plan which may hereafter be adopted by the Company.

7. *No Special Service Rights*

Nothing contained in this Plan shall confer upon any Employee any right with respect to the continuation of his or her employment with the Company or any Covered Entity or any other entity, corporation, partnership, limited liability company or business trust controlling, controlled by or under common control with the Company, or interfere in any way with the right of any such entity, subject to the terms of any separate employment agreement or provision of law or corporate articles or by-laws to the contrary, at any time to terminate such employment relationship or to increase or decrease, or otherwise adjust, the other terms and conditions of the Employee's employment.

8. *Designation of Beneficiary*

8.1. A Participating Employee may file a written designation of a beneficiary who is to receive any Shares and cash, if any, from the Participating Employee's account under the Plan in the event of such Participating Employee's death subsequent to the end of a Plan Period but prior to delivery to him or her of such Shares and cash. Any such beneficiary shall also be entitled to receive any cash from the Participating Employee's account under the Plan in the event of such Participating Employee's death during a Plan Period.

8.2. Such designation of beneficiary may be changed by the Participating Employee at any time by written notice. In the event of the death of a Participating Employee and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participating Employee's death, the Company shall deliver such Shares and/or cash to the executor or administrator of the estate of the Participating Employee, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such Shares and/or cash to the spouse or to any one or more dependents or relatives of the Participating Employee, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

9. *Transferability of Options and Shares*

Neither Contributions credited to a Participating Employee's account nor any rights with regard to the exercise of an option or to receive Shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution, or as provided in Section 8) by the Participating Employee. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with Section 6.7. In addition, if the Committee has so announced to Participating Employees at least five (5) days prior to the scheduled beginning of the next Plan Period, any Shares acquired on the Plan Period Termination Date of such Plan Period may be subject to restrictions specified by the Committee on the transfer of such Shares. Any Participating Employee selling or transferring any or all of his or her Shares purchased pursuant to the Plan must provide written notice of such sale or transfer to the Company within five (5) business days after the date of sale or transfer. Such notice to the Company shall include the gross sales price, if any, the Plan Period during which the Shares being sold were purchased by the Participating Employee, the number of Shares being sold or transferred and the date of sale or transfer.

10. *Use of Funds*

All Contributions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such Contributions from its other assets.

11. *Reports*

Individual accounts will be maintained for each Participating Employee in the Plan. Statements of account will be given to Participating Employees at least annually, which statements will set forth, with respect to the immediately prior calendar year, the amounts of Contributions, the per Share Purchase Price, the number of Shares purchased and the remaining cash balance, if any.

12. *Adjustments Upon Changes in Capitalization; Corporate Transactions*

12.1. *Adjustment in General.* All of the share numbers set forth in the Plan reflect the capital structure of the Company as of the date of the Board's adoption of this Plan. If subsequent to that date the outstanding Shares (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, as a result of a 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 3, (ii) the numbers and kinds of shares or other securities subject to the then outstanding options, and (iii) the exercise price for each share or other unit of any other securities subject to then outstanding options.

12.2. *Adjustment Upon the Occurrence of Certain Unusual or Nonrecurring Events.* In the event of any corporate action not specifically covered by the preceding Section, including but not limited to an extraordinary cash distribution on Common Stock, a corporate separation or other reorganization or liquidation, the Committee may make such adjustment of outstanding options 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, options 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.

12.3. *Related Matters.* Any adjustment in Awards made pursuant to Section 12.1 or 12.2 shall be determined and made, if at all, by the Committee, acting in its sole discretion, and shall include any correlative modification of terms which the Committee may deem necessary or appropriate so as to ensure the rights of the Participating Employees in their respective options are not substantially diminished nor enlarged as a result of the adjustment and corporate action other than as expressly contemplated in this Section 12.

12.4. *Corporate Transactions.* In the event of a Corporate Transaction that is a dissolution or liquidation of the Company, the Plan Period then in progress will terminate immediately prior to the consummation of such action, unless otherwise provided by the Committee. In the event of a Corporate Transaction, each option outstanding under the Plan shall be assumed or an equivalent option shall be substituted by the successor corporation or a parent or subsidiary of such successor corporation. In the event that the successor corporation refuses to assume or substitute for outstanding options, the Plan Period then in progress shall be shortened and a new Plan Period Termination Date shall be set (the "New Plan Period Termination Date"), as of which date the Plan Period then in progress will terminate. The

New Plan Period Termination Date shall be on or before the date of consummation of the transaction and the Committee shall notify each Participating Employee in writing, at least ten (10) days prior to the New Plan Period Termination Date, that the Plan Period Termination Date for his or her option has been changed to the New Plan Period Termination Date and that his or her option will be exercised automatically on the New Plan Period Termination Date, unless prior to such date he or she has withdrawn from the Plan Period as provided in Section 6.7. For purposes of this Section 12.4, an option granted under the Plan shall be deemed to be assumed, without limitation, if, at the time of issuance of the stock or other consideration upon a Corporate Transaction, each holder of an option under the Plan would be entitled to receive upon exercise of the option the same number and kind of shares of stock or the same amount of property, cash or securities as such holder would have been entitled to receive upon the occurrence of the transaction if the holder had been, immediately prior to the transaction, the holder of the number of Shares covered by the option at such time (after giving effect to any adjustments in the number of Shares covered by the option as provided for in this Section 12); *provided however* that if the consideration received in the transaction is not solely common stock of the successor corporation or its parent (as defined in Section 424(e) of the Code), the Committee may, with the consent of the successor corporation, provide for the consideration to be received upon exercise of the option to be solely common stock of the successor corporation or its parent equal in fair market value to the per Share consideration received by holders of common stock in the transaction.

13. *Settlement of Awards*

13.1. *Violation of Law.* Notwithstanding any other provision of the Plan to the contrary, if, at any time, in the reasonable opinion of the Company, the issuance of Shares pursuant to the Plan may constitute a violation of law, then the Company may delay such issuance 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.

13.2. *Corporate Restrictions on Rights in Stock.* Any Shares to be issued pursuant to 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.

13.3. *Investment Representations.* The Company shall be under no obligation to issue any Shares unless the Shares to be issued pursuant to the Plan have been effectively registered under the Securities Act of 1933, as amended.

13.4. *Placement of Legends; Stop Orders; etc.* Each Share to be issued pursuant to the Plan may bear a reference to any applicable restriction under the Plan. All certificates for Shares 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 Common 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 such certificates to make appropriate reference to such restrictions.

14. *Adopting Subsidiaries*

Any Subsidiary of the Company may request that its Employees be allowed to participate in the Plan in accordance with procedures to be adopted by the Board. The Board of Directors of the Company may, in its sole discretion, approve or reject any such request. Any such Subsidiary whose request is approved by the Board of Directors shall be referred to herein as a “Covered Entity.” In addition, the Board of Directors of the Company may determine, in its sole discretion, that a Subsidiary that is a Covered Entity will cease to be a Covered Entity with respect to Plan Periods not yet commenced.

15. *Amendment and Termination*

(a) The Board may at any time terminate the Plan or make such modifications of the Plan as it shall deem advisable. Except as provided in Section 12, no termination of the Plan may affect options previously granted, provided that the Plan or a Plan Period may be terminated by the Board on a Plan Period Termination Date or by the Board's setting a new Plan Period Termination Date with respect to a Plan Period then in progress if the Board determines that termination of the Plan and/or any Plan Period is in the best interests of the Company and its stockholders or if continuation of the Plan and/or a Plan Period would cause the Company to incur adverse accounting charges as a result of the Plan. Except as provided in Section 12 or this Section 15, no amendment to the Plan shall make any change in any option previously granted which adversely affects the rights of any Participating Employee.

(b) In addition to the foregoing, without stockholder consent and without regard to whether any Participating Employee rights may be considered to have been adversely affected, the Committee shall be entitled to change the Plan Periods, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars (if applicable), permit payroll withholding in excess of the amount designated by a Participating Employee to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each Participating Employee properly correspond with amounts withheld from the Participating Employee's Compensation, and establish such other limitations or procedures as the Committee determines in its sole discretion advisable which are consistent with the Plan.

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 a Participating Employee, 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. In addition, the Company may, in its sole discretion, deliver any documents related to the Plan by electronic means or request that Participating Employee communicate with the Company with respect to the Plan by electronic means. By participating in the Plan, each Participating Employee will have consented to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company, and such consent shall remain in effect throughout the Participating Employee's term of employment or service with the Company and thereafter until withdrawn in writing by Participant.

17. *Governing Law*

The Plan and all options 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.

18. *Term of Plan*

The Plan shall become effective January 1, 2010 and shall continue in effect until terminated pursuant to Section 15.

PROPOSED

HARRIS STRATEX NETWORKS, INC.
2007 STOCK EQUITY PLAN
(As Amended and Restated Effective November 19, 2009)

Table of Contents

HARRIS STRATEX NETWORKS, INC.

2007 Stock Equity Plan

(As Amended and Restated Effective November 19, 2009)

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. This Plan has been amended and restated effective November 19, 2009 (the "Plan Restatement Effective Date") to increase the number of shares available for issuance pursuant to Awards and for certain other purposes.

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:

(a) the consummation of 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) an employee benefit plan of the Company or any of its Affiliates, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, or (iii) 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, or (ii) 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

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 10,400,000 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 then Market Value as a means of effecting its forfeiture, 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;

(b) any Stock Appreciation Right settled in stock shall be taken into account based on the notional number of shares covered by such Right rather than the number of shares issued on exercise thereof;

(c) each share of Stock issued pursuant to or subject to outstanding Awards granted after the Plan Restatement Effective Date, other than under any Option or Stock Appreciation Right, shall count as 1.31 shares of Stock (but if forfeited, or repurchased at less than its then Market Value as a means of effecting forfeiture, shall again be taken account as 1.31 shares of Stock available under the limitation); and

(d) settlement of any Award shall not count against the foregoing limitation 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 (but in no event to any non-employee member of the Board or of any board of directors (or similar governing authority) of any Affiliate), 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) *Period.* No Stock Appreciation Right may be exercised on or after the seventh anniversary of the Grant Date.

(d) *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 (but any dividends or other distributions payable in shares of Stock or other securities of the Company shall constitute additional Restricted Stock, subject to the same Risk of Forfeiture as the shares of Restricted Stock in respect of which such shares of Stock or other securities are paid). 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 such shares 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 Plan Restatement Effective Date. Subject to Section 8.2, if subsequent to the Plan Restatement Effective 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 any Award pursuant to an Award Agreement requiring other or additional terms upon a Change of Control (or similar event), or (ii) if specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchanges. Nor shall the foregoing apply in the case of a Qualified Performance-Based Award except to the extent the foregoing would not interfere with the qualification of the Award under 162(m) of the Code at any time prior to a Change of Control (so that, for example, if a Change of Control occurs but does not constitute a change of control within the meaning of Section 162(m) of the Code, there shall be no Acceleration of any Qualified Performance-Based Award pursuant to this Section 9, but if the Change of Control does constitute a change of control within the meaning of Section 162(m) of the Code, then the Award shall Accelerate to the extent provided above regardless of whether it thereafter ceases to qualify as a Qualified Performance-Based Award).

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,

(a) the Board may not amend the Plan to (i) change the description of the persons eligible for Awards under the Plan (ii) increase the number of shares of Stock available under the Plan except as necessary to carry out the provisions of Section 8 (concerning certain adjustments attributable to corporate actions and other events), or

(iii) change the basis on which shares under any Award are taken into account for purposes of the limitation on the number of shares of Stock available under the Plan, without shareholder approval;

(b) neither the Board nor the Committee may reprice any outstanding Award, whether by amendment, by cancellation and regrant, or by reacquiring any outstanding Award in consideration of the grant of a new Award or the payment of other compensation, without shareholder approval; and

(c) 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 recipient'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.

PROPOSED AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

The proposed amendments would amend and restate our current Amended and Restated Certificate of Incorporation to read as follows:

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

HARRIS STRATEX NETWORKS, INC.

Article I

Name

The name of the Corporation is Harris Stratex Networks, Inc.

Article II

Registered Agent

The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, the City of Wilmington, County of New Castle, and the name of its registered agent at that address is The Corporation Trust Company.

Article III

Purpose

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

Article IV

Capitalization

(a) *Capitalization*. The total number of shares of all classes that this Corporation is authorized to issue is 350,000,000 shares, of which (i) 50,000,000 shares shall be designated as preferred stock, par value $0.01 per share (the "Preferred Stock"), and (ii) 300,000,000 shares shall be designated as common stock, par value $0.01 per share (the "Common Stock"). Upon the filing of this Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware (the "Filing Time"), each share of common stock of the Corporation, however designated, issued and outstanding immediately prior thereto ("Old Common Stock"), shall be automatically reclassified as one validly issued, fully paid and non-assessable share of Common Stock without any further action on the part of the Corporation or by the holder thereof. Each certificate formerly representing a share or shares of Old Common Stock shall automatically represent from and after the Filing Time, without any further action on the part of the Corporation or any holder thereof, a number of shares of Common Stock equal to the number of shares of Old Common Stock represented by such certificate immediately prior to the Filing Time.

(b) *Preferred Stock*. Shares of Preferred Stock may be issued in one or more series from time to time by the Board, and the Board is expressly authorized to fix by resolution or resolutions the designations and the powers, preferences and rights, and the qualifications, limitations and restrictions thereof, of the shares of each series of Preferred Stock, including without limitation the following:

(i) the distinctive serial designation of such series which shall distinguish it from other series;

(ii) the number of shares included in such series;

(iii) the dividend rate (or method of determining such rate) payable to the holders of the shares of such series, any conditions upon which such dividends shall be paid and the date or dates upon which such dividends shall be payable;

(iv) whether dividends on the shares of such series shall be cumulative and, in the case of shares of any series having cumulative dividend rights, the date or dates or method of determining the date or dates from which dividends on the shares of such series shall be cumulative;

(v) the amount or amounts which shall be payable out of the assets of the corporation to the holders of the shares of such series upon voluntary or involuntary liquidation, dissolution or winding up the Corporation, and the relative rights of priority, if any, of payment of the shares of such series;

(vi) the price or prices at which, the period or periods within which and the terms and conditions upon which the shares of such series may be redeemed, in whole or in part, at the option of the Corporation or at the option of the holder or holders thereof or upon the happening of a specified event or events;

(vii) the obligation, if any, of the Corporation to purchase or redeem shares of such series pursuant to a sinking fund or otherwise and the price or prices at which, the period or periods within which and the terms and conditions upon which the shares of such series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(viii) whether or not the shares of such series shall be convertible or exchangeable, at any time or times at the option of the holder or holders thereof or at the option of the Corporation or upon happening of a specified event or events, into shares of any other class or classes of stock of the Corporation, and the price or prices or rate or rates of exchange or conversion and any adjustments applicable thereto; and

(ix) whether or not the holders of the shares of such series shall have voting rights, in addition to the voting rights provided by law, and if so the terms of such voting rights.

Subject to the rights of the holders of any series of Preferred Stock, the number of authorized shares of any class or series of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the outstanding shares of such class or series, voting together as a single class, irrespective of the provisions of Section 242(b)(2) of the DGCL. The Board has designated a series of its Series A Junior Participating Preferred Stock pursuant to a Certificate of Designations duly filed with the Secretary of State of Delaware on April 21, 2009, a copy of which is attached hereto as Exhibit A and incorporated herein by reference.

Article V

Directors

The number of directors (the "Directors") that shall constitute the whole Board shall be fixed from time to time pursuant to the amended and restated bylaws of the Corporation, as may be further amended from time to time (the "Bylaws").

Article VI

Limitation of Liability

A Director shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except to the extent that such exemption from liability or limitation thereof is not permitted under the DGCL as currently in effect or as the same may hereafter be amended. If the DGCL is hereafter amended to authorize corporate action further limiting or eliminating the liability of Directors to the Corporation or its stockholders, then without any further action by any individual, corporation (including not-for-profit), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, government entity or other entity of any kind or nature such liability shall be so limited or eliminated to the fullest extent permitted by the DGCL as so amended. No adoption, amendment, modification or repeal of this Article VI or any other provision of this Amended and Restated Certificate of Incorporation shall adversely affect any right or protection of a Director existing at the time of such adoption, amendment, modification or repeal with respect to acts or omissions occurring prior to such time.

Article VII

Bylaws

In furtherance and not in limitation of the powers conferred by statute, the Board is expressly authorized to adopt, repeal, alter, amend and rescind from time to time any or all of the Bylaws of the Corporation.

Article VIII

Amendment of Amended and Restated Certificate of Incorporation

This Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred on stockholders herein are granted subject to this reservation.

[Exhibit A- No changes to existing Certificate of Designations of Series A Junior Participating Preferred Stock filed with the Secretary of State of Delaware on April 21, 2009.]

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended July 3, 2009

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:

Title of Each Class	Name of Each Exchange on Which Registered
Rights to Purchase Series A Junior Participating Stock, par value $0.01 per share	None

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

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

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

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

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

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

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

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

As of January 2, 2009, 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 $135,276,000 (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 January 2, 2009 are affiliates.

Class of Stock	Shares Outstanding as of August 28, 2009
Class A Common Stock, par value $0.01 per share	58,987,859
Class B Common Stock, par value $0.01 per share	—
Total shares of common stock outstanding	58,987,859

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Shareholders scheduled to be held on or about November 19, 2009, which will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended July 3, 2009, are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent described therein.

HARRIS STRATEX NETWORKS, INC.

ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended July 3, 2009

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

Annual Report

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they do not materialize or prove correct, could cause our results to differ materially from those expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including statements of, about, concerning or regarding: our plans, strategies and objectives for future operations; our research and development efforts and new product releases and services; trends in revenue; drivers of our business and the markets in which we operate; future economic conditions, performance or outlook and changes in our industry and the markets we serve; the outcome of contingencies; the value of our contract awards; beliefs or expectations; the sufficiency of our cash and our capital needs and expenditures; our intellectual property protection; our compliance with regulatory requirements and the associated expenses; expectations regarding litigation; our intention not to pay cash dividends; seasonality of our business; the impact of foreign exchange and inflation; taxes; and assumptions underlying any of the foregoing. Forward-looking statements may be identified by the use of forward-looking terminology, such as "believes," "expects," "may," "should," "would," "will," "intends," "plans," "estimates," "anticipates," "projects," "targets," "goals," "seeing," "delivering," "continues," "forecasts," "future," "predict," "might," "could," "potential," or the negative of these terms, and similar words or expressions.

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

- downturn in the global economy affecting customer spend;
- continued price erosion as a result of increased competition in the microwave transmission industry;
- the volume, timing and customer, product and geographic mix of our product orders may have an impact on our operating results;
- the ability to achieve business plans for Harris Stratex Networks;
- the ability to manage and maintain key customer relationships;
- the ability to maintain projected product rollouts, product functionality, anticipated cost reductions or market acceptance of planned products;
- the ability to successfully integrate entities acquired by Harris Stratex Networks;
- future costs or expenses related to litigation;
- 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 Networks 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;

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

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

We were incorporated in Delaware in 2006 to combine the businesses of Harris Corporation's Microwave Communications Division ("MCD") and Stratex Networks, Inc. ("Stratex"). Our principal executive offices are located at 637 Davis Drive, Morrisville, North Carolina 27560 and our telephone number is (919) 767-3230. Our common stock is listed on the NASDAQ Global Market under the symbol HSTX. As of July 3, 2009, we employed approximately 1,521 people.

Recent Developments

From the time we acquired Stratex on January 26, 2007, Harris Corporation ("Harris") owned 32,913,377 shares or 100% of our Class B Common Stock which approximated 56% of the total shares of our common stock. On May 27, 2009, Harris distributed all of those shares to the Harris stockholders as a taxable pro rata stock dividend, and the Harris stockholders received approximately 0.24 of a share of Harris Stratex Class A Common Stock for every share of Harris common stock they owned on the record date. Upon the distribution, the Class B Common Stock converted automatically into shares of Class A Common Stock, which is now our only outstanding class of stock.

On March 2, 2009, we announced that we closed the acquisition (the "Acquisition") of Telsima Corporation ("Telsima") of Sunnyvale, California. Telsima is a leading developer and provider of WiMAX Forum Certified products for use in next generation broadband wireless networks. The Acquisition closed on February 27, 2009 and was consummated pursuant to an Agreement and Plan of Merger, dated February 27, 2009 (the "Merger Agreement"), by and among Harris Stratex Networks Operating Corporation, a wholly-owned subsidiary of the Company ("HSNOC"), Eagle Networks Merger Corporation, a wholly-owned subsidiary of HSNOC ("Merger Sub"), Telsima and the Holder Representative party thereto. The Merger Agreement provided for the acquisition by HSNOC of all of the outstanding equity securities of Telsima for cash through the merger of Merger Sub with and into Telsima. Following such merger, Telsima became a wholly-owned subsidiary of HSNOC.

Overview and Description of Business by Segment

We design, manufacture and sell a range of wireless networking products, solutions and services to mobile and fixed telephone service providers, private network operators, government agencies, transportation and utility companies, public safety agencies and broadcast system operators across the globe. Products include broadband wireless access base stations and customer premises equipment based upon the IEEE 802.16d-2004 and 16e-2005 standards for fixed and mobile WiMAX, point-to-point digital microwave radio systems for access, backhaul, trunking and license-exempt applications, supporting new network deployments, network expansion, and capacity upgrades. 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."

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. Our North American business is primarily with the cellular backhaul and public safety segments.

Our North America segment revenue represented approximately 33% and 32% of our total revenue for fiscal 2009 and 2008. Although, generally we sell products and services directly to our North American customers, we also use distributors to sell some products and services.

International 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 consists of supplying wireless segments in small-pocket, remote, rural and metropolitan areas. High-capacity backhaul is one of the fastest growing wireless market segments and is a major opportunity for us. We see the increase in subscriber density and the forecasted growth and introduction of new bandwidth-hungry HSPA/WiMAX/LTE mobile broadband services as major drivers for growth in this market.

Our International Microwave segment represented approximately 65% and 64% of our revenue for fiscal 2009 and 2008. We sell products and services directly to our international customers and also use agents and distributors.

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 all Harris Stratex wireless solutions.

Our Network Operations segment represented approximately 2% and 4% of our revenue for fiscal 2009 and 2008. We sell products and services of this segment to our customers directly and through agents, resellers and distributors.

Industry Background

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

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 introduction of new broadband mobile services.* The number of global wireless subscribers and minutes of use per subscriber are expected to continue to increase. The primary drivers include increased subscription and dramatic growth in demand for mobile broadband data services facilitated by the introduction of new data-driven smartphones like the iPhone and Palm Pre. These Third-generation, or "3G," data applications are now widely available in developed countries and this has fueled an acceleration of data usage. New mobile standards now being deployed including High Speed

Packet Access (HSPA) and mobile WiMAX will further increase the demand for mobile data. We believe that growth as a result of new data services will continue for the next several years and persist with the introduction of the next generation of radio technologies, referred to as "4G" or LTE (Long Term Evolution) for mobile networks starting in 2011. This demand for data is straining the capacity and capability of the existing mobile infrastructure. To address this problem we expect many operators to upgrade their backhaul networks to 100% Internet Protocol, or IP-based, from the current traditional time-division multiplexing, or TDM networks, in order to provide higher network capacity and increased flexibility at a lower overall operating cost.

- *Broadband Stimulus.* The American Recovery and Reinvestment Act (ARRA), widely known as the stimulus bill, allocates $7.2 billion in grant and loan funding for broadband/wireless initiatives for rural unserved and underserved geographies across the country. This funding is available to a wide variety of organizations to purchase and implement network infrastructure and services to improve broadband coverage. In addition to the broadband initiative, the Smart Grid Investment Grant Program (SGIG) was recently announced with close to $4 billion available to utilities, rural electric cooperatives, distribution companies and system operators, for smart grid technologies, monitoring solutions and infrastructure, and viability analysis. Implementing communications infrastructure for intelligent energy initiatives is also a key part of this program. Wireless transmission, including WiMAX access and microwave middle-mile transmission, will be a key technology for stimulus related projects. Other countries, such as Australia, are also implementing broadband programs with government funding to simultaneously develop rural broadband services and stimulate local economies.

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

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

Recent Trends and Developments in the Industry

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

- Continuing fixed-line to mobile-line substitution;

- The migration of existing telecommunications network infrastructure from legacy TDM technologies such as SDH/SONET to high speed packet-based networks such as Ethernet/IP/MPLS, etc. This migration is moving faster in some sectors like mobile networks than others, but is a clear trend for the future that will drive significant network upgrades over the next three to five years;

- Private networks and public telecommunications operators building high-reliability, high-bandwidth networks that are more secure and better protected against natural and man-made disasters;
- Increase in global wireless subscribers; and
- 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

Over the past year, we have made significant strides in transforming our business from a pure-play microwave backhaul company to a more diverse company that not only strives to be a leader in mobile backhaul optimization but also one that aims to fully support the markets' network capacity expansion and evolution to all-IP. We offer and will continue to improve upon our end-to-end solutions that deliver the network performance needed to support next generation services and enable a smooth transition from legacy networks. We aim to deliver the ultimate end-user experience and look to enhance our position as a leading provider of innovative, high-value wireless solutions for the worldwide mobile, network interconnection and broadband access markets.

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

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

Our Partner Products strategy enables us to go beyond wireless transmission to combat the vendor consolidation trend whereby customers are "buying more from fewer vendors." Furthermore a broader portfolio enables us to further differentiate from other independent microwave only equipment competitors. Our edge when competing with smaller companies is our end-to-end delivery capability and worldwide presence to do so. Competing with larger companies, we should be able to react quicker and leverage best-of-breed products. Regardless of whether we are competing with a small or large company, we have an opportunity to straddle both sides of the competition with unrivaled technology leadership and service delivery.

With our recent acquisition and entry into the 4G/WiMAX space, we are now well positioned to address the growth areas of Broadband Wireless Access with fixed and mobile standard WiMAX products. The fixed WiMAX market (16d) is considerable today but quickly giving way to mobile WiMAX (16e) growth over the next few years. We and many analysts see the WiMAX market as a lucrative, growing area over the coming years with rapidly expanding addressable markets. To address this opportunity, we will focus on both fixed and mobile opportunities as well as regionally specific events to grow the business. We have a strong portfolio and position in our 16d business and are poised to take market share — our strategy for 16d growth is already underway, focused on capturing growth from competitors. Our 16e business is poised to address further opportunities in all regions of the world. We will continue to expand our portfolio in the WiMAX space with a robust roadmap of development in access and core products.

Our strategy entails partnering with companies with technical expertise to meet customer demand for and end-to-end solution.

As part of our strategy in each product area, we will continue to leverage our end-to-end service capability to win business. Our Global Network Services organization is focused on developing new advanced services, enabling and improving service delivery globally, and managing a portfolio of services that creates value for our customers. Today, we design, deploy, manage, optimize and maintain the wireless networks of many of the largest telecom operators in the world. Our strategic intent is to expand our advanced services, combining our core IP backhaul expertise, for 4G/WiMAX and energy and security with service assurance and management tools.

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

Solutions

Our solutions are designed to meet the various regional, operational and licensing needs of our customers. We provide end-to-end turnkey broadband telecommunications systems, including complete design, deployment, maintenance and managed network services, while being an attentive and adaptive partner to our customers — a key competitive differentiator for Harris Stratex. Our solutions offer the following benefits:

- *Broad product and solution portfolio.* We offer a comprehensive suite of wireless systems for 4G/WiMAX broadband access and microwave backhaul applications. Our solution consists of tailored offerings of our own wireless products and integrated ancillary equipment from Harris Stratex or other manufacturers, element and network management systems and professional services. These solutions address a wide range of transmission frequencies, ranging from 400 MHz to 40 GHz, and a wide range of transmission capacities, ranging up to 2.5 gigabits per second. The major product families included in these solutions are StarMAX, Eclipse, TRuepoint, Constellation, NetBoss and ProVision, which are described below.

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

- *Future-proof network.* Our solutions are designed to future-proof the network operator's investment, via software-configurable capacity upgrades and plug-in modules that provide a smooth migration path to emerging technologies, such as carrier Ethernet and IP-based networking, without the need for costly equipment change-out. Our product roadmaps incorporate key technologies anticipated to be needed by operators for their network evolution to support new broadband services.

- *Flexible, easily configurable products.* We use flexible architectures with a high level of software configurable features. This design approach produces high-performance products with the maximum reuse of components while at the same time allowing for a manufacturing strategy with a high degree of flexibility, improved cost and reduced time to market. The software features of our products 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 our wireless systems. We also offer NetBoss 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 4G/WiMAX (fixed and mobile) broadband access, licensed (subject to local frequency regulatory requirements) and license-exempt (operating in license-exempt frequencies) point-to-point microwave radios, element and network management software.

4G/WiMAX Broadband Wireless Access

WiMAX is a 4G wireless access technology now being deployed for mobile and fixed broadband network applications throughout the world. WiMAX can be an ideal means to provide broadband services to communities and populations that are not currently served or well served by existing telecommunications networks, whether in developing economies, such as in Africa, or in rural areas of developed nations in Europe and North America.

Our StarMAX platform is the result of the February 27, 2009 acquisition of Telsima Corporation by Harris Stratex Networks and includes an extensive portfolio of IEEE 802.16d-2004 and 16e-2005 compatible base stations, fixed and mobile subscriber devices, ASN gateway solutions, home agent and network management tools.

Licensed Point-to-Point Microwave Radios

Over 50% of the world's mobile network base stations are interconnected using licensed microwave technology. Microwave is also extensively used as a cost effective alternative to competing wireline transmission media, such as fiber, copper or coaxial cable, or in deployments where cables are just not practical, such as over mountainous or rough terrain or over water. Other network applications that make significant use of microwave for these reasons include public safety/homeland security, public land mobile radio (PMR/TETRA), utilities, local/state/federal government, IT/Enterprise, health and education authorities, transportation networks, broadcast, defense/military and other private networks applications.

Our principal product families of licensed point-to-point microwave radios include Eclipse, a platform for nodal wireless transmission systems, and TRuepoint 6500, a platform for ultra-high capacity trunking applications. An enhanced version of Eclipse, called Eclipse Packet Node, was introduced in 2009 to address the market for high speed IP transport and TDM to IP convergence features in support of the evolution of mobile backhaul networks. Constellation and TRuepoint 5000 continue to be significant product families used for North American high-capacity trunking and backhaul applications respectively.

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 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.

Our Eclipse Packet node product provides a complete convergence solution to an all IP-based network and enables a network migration and optimization strategy for operators, regardless of the mixed technology state of their access network, with the most comprehensive set of market-leading capabilities. Eclipse Packet Node supports market leading IP capacities of over 2 Gbit/s per radio path, along with TDM support both natively and using industry-standard Pseudowires. We introduced the new IRU600 all-indoor radio frequency unit in 2009, to meet the specific requirements of North American operators for an indoor mounted, high power architecture.

TRuepoint

Our TRuepoint 5000 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 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 6500 family continues our tradition of high-performance, high-reliability wireless transport for national trunking networks. The TRuepoint 6500 provides very-high-capacity trunking and software-programmable features in an advanced compact 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 and SONET for 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

We offer 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 also supports advanced element management. NetBoss products are optimized to work seamlessly with our 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 designed specifically to manage wireless transmission networks. ProVision is a platform-independent Java-based application, and can support small network systems as well as large networks in excess of 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 Operations

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 Original Equipment Manufacturers ("OEMs") 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.

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.

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:

	July 3, 2009	August 22, 2008
	(In millions)	
North America Microwave	$ 84.0	$101.1
International Microwave	119.1	250.9
Network Operations	7.8	11.9
	$210.9	$363.9

Substantially this entire backlog is expected to be filled during fiscal 2010, 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. As of July 3, 2009, backlog with one major customer accounts for approximately 23% of total backlog.

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 2009 and 2008, we had one International Microwave segment customer in Africa (Mobile Telephone Networks or MTN) that accounted for 17% and 13% of our total revenue. MTN is an affiliated group of separate regional carriers and operators located on the continent of Africa. As of July 3, 2009, MTN as a whole accounted for approximately 6% of our accounts receivable. In fiscal 2007, no customers accounted for more than 10% of our total revenue.

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

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.

International Business

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

Description	Percentage of Total Revenue
Revenue from U.S. exports or manufactured abroad:	
Fiscal 2009	69%
Fiscal 2008	73%
Fiscal 2007	67%

Description	Percentage of Non U.S. Revenue
Revenue from U.S. exports:	
Fiscal 2009	13%
Fiscal 2008	22%
Fiscal 2007	63%

Description	Percentage of Total Revenue
Revenue from operations conducted in local international currencies:	
Fiscal 2009	21%
Fiscal 2008	22%
Fiscal 2007	19%

Description	Percentage of Total Revenue
Revenue from customers in international countries greater than 5%:	
Fiscal 2009 Nigeria	22%
Fiscal 2009 Poland	5%
Fiscal 2008 Nigeria	19%
Fiscal 2007 Nigeria	11%
Fiscal 2007 Canada	8%

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. International operations represented 63% of our long-lived assets as of July 3, 2009 and 58% of long-lived assets as of June 27, 2008.

International 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.

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

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

Competition

The wireless access, backhaul and interconnection business is a specialized segment of the wireless telecommunications industry that is sensitive to technological advances and is extremely competitive. 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. In addition, some competitors offer seller financing which is a competitive advantage in the current economic environment.

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

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

Our principal microwave competitors include large established companies such as Alcatel-Lucent, Ericsson, NEC, Huawei and Nokia Siemens Networks, as well as a number of other smaller public and private companies such as Ceragon, Dragonwave and SIAE 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.

In the WiMAX access market we again compete against large established companies such as Alcatel-Lucent, Cisco, Huawei, Motorola and Samsung, as well as numerous tier 2 and 3 competitors that include Alvarion, Aperto and Redline.

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

Research, Development and Engineering

We believe that our ability to enhance our current products, develop and introduce new products on a timely basis, maintain technological competitiveness and meet customer requirements is essential to our success. Accordingly, we allocate, and intend to continue to allocate, a significant portion of our resources to research and development efforts in four major areas: Backhaul, Radio Access Networks, Core Networks and Network Management Systems.

Our research, development and engineering expenditures totaled $40.4 million, or 5.9% of revenue, in fiscal 2009, $46.1 million, or 6.4% of revenue in fiscal 2008, and $39.4 million, or 7.8% of revenue in fiscal 2007.

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, NetBoss and the new StarMAX platform which was a result of the February 27, 2009 acquisition of Telsima Corporation.

We maintain an engineering and new product development department, with scientific assistance provided by advanced-technology departments. As of July 3, 2009, we employed a total of 261 people in our research and development organizations in Morrisville, North Carolina; San Jose, California; Wellington, New Zealand; Singapore; Slovenia and India.

Patents and Other Intellectual Property

We consider our patents and other intellectual property rights, in the aggregate, to constitute an important asset. We own a portfolio of patents, trade secrets, know-how, confidential information, trademarks, copyrights and other intellectual property. We also license intellectual property to and from third parties. As of August 21, 2009, we held 101 U.S. patents and 84 international patents and had 41 U.S. patent applications pending and 74 international patent applications pending. We do not consider our business to be materially dependent upon any single patent, license or other intellectual property right, or any group of related patents, licenses or other intellectual property rights. From time to time, we might engage in litigation to enforce our patents and other intellectual property or defend against claims of alleged infringement. Any of our patents, trade secrets, trademarks, copyrights and other proprietary rights could be challenged, invalidated or circumvented, or may not provide competitive advantages. Numerous trademarks used on or in connection with our products are also considered to be valuable assets.

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

While our ability to compete may be affected by our ability to protect our intellectual property, we believe that, because of the rapid pace of technological change in the wireless telecommunications industry, our innovative skills, technical expertise and ability to introduce new products on a timely basis will be more important in maintaining our competitive position than protection of our intellectual property. Trade secret, trademark, copyright and patent protections are important but must be supported by other factors such as the expanding knowledge, ability and experience of our personnel, new product introductions and product enhancements. Although we continue to implement protective measures and intend to 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.

Our strategy for procuring raw material and supplies includes dual sourcing on strategic assemblies and components. In general, we believe this reduces our risk in regards to the potential financial difficulties in our supply base. During fiscal 2009, we have not had any material disruptions in procuring raw materials and supplies. 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 July 3, 2009, we employed 1,521 people, compared with 1,410 people at the end of fiscal 2008. In February 2009, we added 146 employees through the acquisition of Telsima. Approximately 769 of our employees are located in the U.S. We also utilized approximately 100 independent contractors as of July 3, 2009. None of our employees in the U.S. is represented by a labor union. In certain international subsidiaries, our employees are represented by workers' councils or statutory labor unions. In general, we believe that our relations with our employees are good.

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

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

Corporate Governance Principles and Committee Charters. We have adopted Corporate Governance Principles, which are available on the Corporate Governance section of our Web site at http://www.harrisstratex.com/cg/default.asp. In addition, the charters of each committee of our Board of Directors, including the Compensation Committee, Audit Committee and Governance and Nominating 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.

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

We 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. We incurred a net loss of $355.0 million in fiscal 2009, $11.9 million in fiscal 2008 and $21.8 million in fiscal 2007. We can give no assurance that we will be consistently profitable, if at all.

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

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

- We may experience declines in revenues, profitability and cash flows as a result of reduced orders, payment delays or other factors caused by the economic problems of our customers and prospective customers. During the last quarter, some customers advised us of their intention to slow deployments to conserve cash. Such customer attitudes could continue to affect out business, financial condition and cash flows adversely.
- We may experience supply chain delays, disruptions or other problems associated with financial constraints faced by our suppliers and subcontractors.
- We may incur increased costs or experience difficulty either in making future borrowings under our credit facility or otherwise in obtaining financing for our operating activities, investing activities (including the financing of any future acquisitions) or financing activities.

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

A substantial portion of our sales are to customers in the telecommunications industry. These customers may require their suppliers to provide extended payment terms, direct loans or other forms of financial support as a condition to obtaining commercial contracts. We expect that we may provide or commit to financing where appropriate for our business. Our ability to arrange or provide financing for our customers will depend on a number of factors, including our credit rating, our level of available credit and our ability to sell off commitments on acceptable terms. More generally, we expect to routinely enter into long-term contracts involving significant amounts to be paid by our customers over time. Pursuant to these contracts, we may deliver products and services representing an important portion of the contract price before receiving any significant payment from the customer. As a result of the financing that may be provided to customers and our commercial risk exposure under long-term contracts, our business could be adversely affected if the financial condition of our customers erodes. Over the past few years, certain of our customers have filed with the courts seeking protection under the bankruptcy or reorganization laws of the applicable jurisdiction, or have experienced financial difficulties. As a result of the more challenging economic environment, we saw some increase in the number of our customers experiencing such difficulties in 2008, and we expect that trend to intensify if global economy deteriorates further in 2009. That trend may be exacerbated in many emerging markets, where our customers are being affected not only by recession, but by deteriorating local currencies and a lack of credit. Upon the financial failure of a customer, we may experience losses on credit extended and loans made to such customer, losses relating to our commercial risk exposure and the loss of the customer's ongoing business. If customers fail to meet their obligations to us, we may experience reduced cash flows and losses in excess of reserves, which could materially adversely impact our results of operations and financial position.

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

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

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 2009, we recorded charges of $29.8 million for product transition and $3.4 for purchase obligations from contract manufacturers. In fiscal 2008, we recorded charges of $14.7 million for inventory impairment charges resulting from post-merger product transitioning and product end-of-life events.

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.

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 2009, 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. Additionally, during the first quarter of fiscal 2009, we announced a new restructuring plan (the “Fiscal 2009 Plan”) to reduce our worldwide workforce. 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 assumptions and plans regarding the appropriate cost structure of our businesses based on our product mix and projected sales among other factors. These assumptions may not be correct and we may not be able to operate in accordance with our plans. Should this occur we may determine that we must incur additional restructuring charges in the future. Moreover, we cannot assure you that we will realize all of the anticipated benefits of the restructurings or that we will not further reduce or otherwise adjust our workforce or exit, or dispose of, certain businesses and protect lines. Any decision 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 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.

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

During fiscal 2009, we recorded charges of $279.0 million to write-off all of our goodwill prior to the acquisition of Telsima and $32.6 million for a majority of our “Stratex” trade name indefinite lived-asset. As a result, the remaining value of the “Stratex” trade name was $0.4 million as of July 3, 2009 and it has a useful life of six months. As of July 3, 2009, the net carrying value of our total definite-lived intangible assets, and recently acquired goodwill from the Telsima acquisition totaled approximately $84.1 million and $3.2 million.

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 definite-lived intangible assets or goodwill. An impairment charge related to our intangible assets or goodwill could have a significant adverse effect on our financial position and results of operations in the period in which it is incurred.

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

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

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

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

Termination of our transitional services agreements with Harris before we have established our own fully independent administrative and other support functions could impair our ability to operate our business effectively and materially increase our general and administrative expenses.

On January 26, 2007, we completed our merger with Stratex Networks, Inc. Prior to the merger, we were a division of Harris Corporation and we relied on administrative and other resources of Harris to operate our business. In connection with the merger, we entered into a transition services agreement with Harris to retain the ability to use these Harris resources at our option, some for a specified term, which pursuant to an amendment in the second quarter of fiscal 2009, will expire September 30, 2010. Pursuant to the transition services agreement, Harris provides us with database management, supply chain systems, sales and service, financial systems, HR systems, internal and information systems shared services support, network management and help desk support, and server administration and support, and charges us for these services at a stipulated rate based on our actual usage. This agreement can be terminated by either party upon 90 days' prior written notice. We must be able to replace these services prior to termination of the transition services agreement. It is likely that replacing these services will require new capital expenditures and that our costs for these services may increase once we are no longer receiving these services from Harris under the current agreement. This could adversely affect our operating results and cash flows going forward.

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 2009 and 2008, 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. In addition, consolidation of our potential customer base could result in purchasing decision delays as consolidating customers integrate their operations and could generally reduce our opportunities to win new customers to the extent that the number of potential customers decreases. Furthermore, as our customers become larger, they may have more leverage to negotiate better pricing which could adversely affect our revenues and gross margins.

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

The wireless interconnection and access business is a specialized segment of the wireless telecommunications industry and is extremely competitive. We expect competition in this segment to increase. Some of our competitors have more extensive engineering, manufacturing and marketing capabilities and significantly greater financial, technical and personnel resources than we have. In addition, some of our competitors have greater name recognition, broader product lines, a larger installed base of products and longer-standing customer relationships. Our competitors include established companies, such as Alcatel-Lucent, Eltek ASA, Ericsson, NEC and Nokia Siemens Networks, as well as a number of other public and private companies such as Ceragon and Huawei Technologies in selected markets. Some of our competitors are 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. Our competitors may enter into business combinations in order to accelerate product development or to compete more aggressively and we may lack the resources to meet such enhanced competitions.

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

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

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

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

Although a majority of our sales are made through our direct sales force, we also will market our products through indirect sales channels such as independent agents, distributors, OEMs and systems integrators. These relationships enhance our ability to pursue major contract awards and, in some cases, are intended to provide our customers with easier access to financing and a greater variety of equipment and service capabilities, which an integrated system provider should be able to offer. We may not be able to maintain and develop additional relationships or, if additional relationships are developed, they may not be successful. Our inability to establish or maintain these distribution and licensing relationships could restrict our ability to market our products and thereby result in significant reductions in revenue. If these revenue reductions occur, our business, financial condition and results of operations would be harmed.

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

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

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

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

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

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

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

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.

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.

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

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

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

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

We are highly dependent on sales to customers outside the U.S. In fiscal 2009, our sales to international customers accounted for 69% of total revenue. During fiscal 2008 and 2007, sales to international customers accounted for 73% and 67% 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 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.

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

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

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

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

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

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

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.

Anti-takeover provisions of Delaware law, provisions in our amended and restated certificate of incorporation, amended and restated bylaws and our stockholders' rights plan, or poison pill, could make a third-party acquisition of us difficult.

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

On April 20, 2009, we adopted a stockholders' rights plan, also called a poison pill, which could make it uneconomical for a third party to acquire our company on a hostile basis. The rights plan has the potential effect of significantly diluting the ownership interest in us of any person that acquires beneficial ownership of 15% or more of our common stock or commences or announces its intent to commence a tender offer that would result in a person or group owning 15% or more of our common stock. The rights plan is due to expire on January 20, 2010. These provisions, as well as Section 203, may discourage certain types of transactions in which our stockholders might otherwise receive a premium for their shares over then current market price, and may limit the ability of our stockholders to approve transactions that they think may be in their best interests.

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

In connection with our identification of the material weaknesses in internal control described in our fiscal 2008 Annual Report on Form 10-K filed with the Securities and Exchange Commission on September 25, 2008, we have had to restate our interim consolidated financial statements for the first three fiscal quarters of fiscal 2008 (the quarters ended March 28, 2008, December 28, 2007 and September 28, 2007) and our consolidated financial statements for the fiscal years ended June 29, 2007, June 30, 2006 and July 1, 2005 in order to correct errors contained in those financial statements. We also announced on July 30, 2008 that investors should no longer rely on our previously issued financial statements for those periods.

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

Item 1B. *Unresolved Staff Comments.*

None.

Item 2. *Properties.*

As of July 3, 2009, we conducted operations using facilities in the U.S., Canada, Europe, Central America, South America, Africa and Asia. Our principal executive offices are located at leased facilities in Morrisville, North Carolina. There are no material encumbrances on any of our facilities. Remaining initial lease periods extend to 2018.

As of July 3, 2009, 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	—	128,000
Morrisville, North Carolina	Headquarters, R&D center	—	60,000
India (three facilities)	Office, R&D center	—	53,000
Slovenia	Office, R&D center	—	20,000
Philippine Islands (two facilities)	Office	—	17,000
Republic of Singapore	Office	—	13,000
People's Republic of China	Office	—	8,000
Paris, France	Office	—	8,000
Mexico City, Mexico	Office	—	8,000
Montreal, Canada	Office	—	6,000
Other facilities	Offices	—	67,000
Totals		240,000	388,000

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 consist of approximately 139,000 square feet, of which approximately 90,000 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 40,400 square feet for our use and subleased 4,500 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 Q — Operating Lease Commitments" and "Note K — Restructuring Activities" of Notes to Consolidated Financial Statements, which are included in Part II, Item 8 of this Annual Report on Form 10-K.

Item 3. *Legal Proceedings.*

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

On February 8, 2007, a court order was entered against Stratex do Brasil, a subsidiary of Harris Stratex Networks Operating Company, in Brazil, to enforce performance of an alleged agreement between the former Stratex Networks, Inc. entity and a supplier. We have not determined what, if any, liability this may result in, as the court did not award any damages. We have appealed the decision to enforce the alleged agreement, and do not expect this litigation to have a material adverse effect on our business, operating results or financial condition.

From time to time, as a normal incident of the nature and kind of businesses in which we are engaged, various claims or charges are asserted and litigation commenced against us arising from or related to: personal injury, patents, trademarks, trade secrets or other intellectual property; labor and employee disputes; commercial or contractual disputes; 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 2009.

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 3, 2009, are as follows:

Name and Age	Position Currently Held and Past Business Experience
Harald J. Braun, 53	Mr. Braun was appointed president and chief executive officer of our company in April, 2008 and is a member of our Board of Directors. From 2002 to 2008, he worked for Siemens and served in several different capacities including president of Siemens Carrier Networks Division, president and CEO of Siemens Networks LLC and most recently as a senior executive in Nokia Siemens Networks North America.
Thomas L. Cronan, III, 49 . .	Mr. Cronan joined our company as senior vice president and chief financial officer in May 2009. From 2008 to just prior to joining Harris Stratex, he served as the chief financial officer at AeroScout, Inc. From 2007 to 2008, he served as the chief financial officer of Ooma, Inc. In 2003, Mr. Cronan became the senior vice president of finance and chief financial officer at Redback Networks, Inc.
Paul A. Kennard, 58.	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.
Stephen J. Gilmore, 54	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.
Meena L. Elliott, 46	Ms. Elliott was appointed vice president, general counsel and secretary of the company in July 2009. She joined our company as associate general counsel and assistant secretary in January 2007 when Harris MCD and Stratex Networks merged. Ms. Elliott joined Harris Corporation's Microwave Communications Division as division counsel in March 2006. Prior to joining MCD, she was chief counsel at the Department of Commerce, from 2002-2006.
Heinz H. Stumpe, 54	Mr. Stumpe was appointed chief operating officer and senior vice president global operations on June 30, 2008. Previously, he was vice president operations. He joined Stratex Networks as director, marketing in 1996. He was promoted to vice president, global accounts in 1999, vice president, strategic accounts in 2002 and vice president, global operations in April 2006.
Shaun McFall, 49.	Mr. McFall was named chief marketing officer in July 2008. Previously from 2000-2008, he served as vice president, marketing for Stratex Networks, Inc. He has been with the company since 1989.
J. Russell Mincey, 47	Mr. Mincey joined our company in July 2008 as global corporate controller. From mid-February through mid-May 2009, he served as interim principal financial officer and interim principal accounting officer. In September 2009, he was appointed principal accounting officer, along with his continued position as global corporate controller. From October 2005 to April 2008, Mr. Mincey was chief financial officer at the Industrial Components Division of Carlisle Companies. He served as vice president and chief financial officer of Draka Comteq (previously known as Alcatel Fiber Optic Cable Division) from July 2004 through October 2005.
Michael Pangia, 48	Mr. Pangia was named senior vice president and chief sales officer in March 2009. Prior to joining Harris Stratex, Mr. Pangia served as senior vice president, Global Sales Operations and Strategy at Nortel. From 2006 through 2008, he was president of Nortel's Asia region, responsible for sales and overall business management for all countries where Nortel did business in that region and he was the chief operating officer of Nortel's Asia region from 2005 to 2006.

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

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

According to the records of our transfer agent, as of August 28, 2009, there were approximately 5,800 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 2009 and 2008:

	Fiscal 2009		Fiscal 2008	
	High ($)	Low ($)	High ($)	Low ($)
First Quarter	11.45	6.85	20.90	15.90
Second Quarter	7.85	3.26	19.97	15.41
Third Quarter	7.24	3.00	18.75	8.53
Fourth Quarter	6.75	3.91	11.44	8.88

On August 28, 2009, the last sale price of our common stock as reported in the NASDAQ Global Market system was $6.09 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 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 2009, we did not issue or sell any unregistered securities.

Issuer Repurchases of Equity Securities

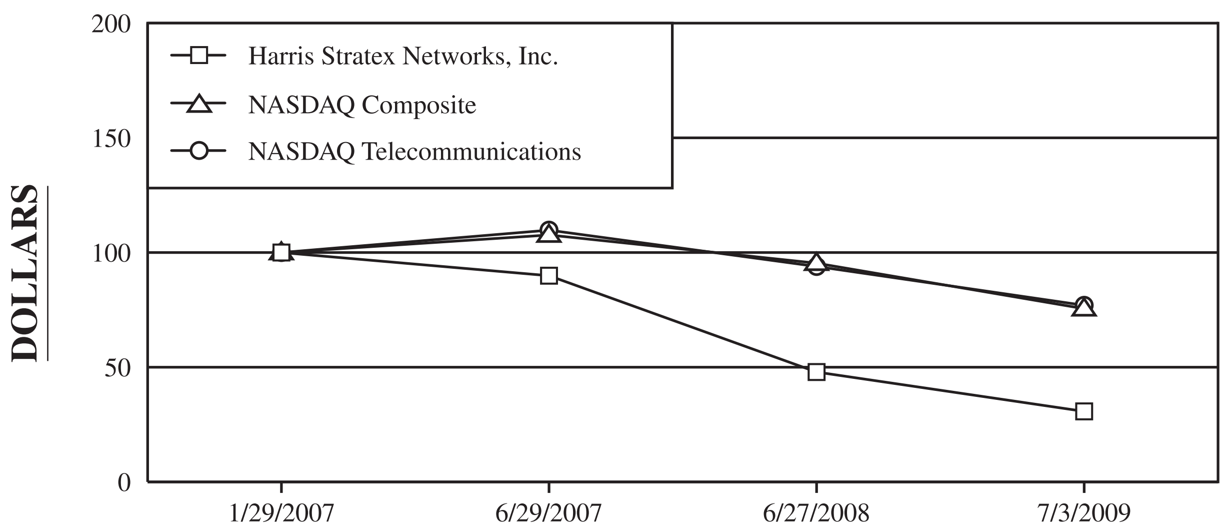
During the fourth quarter of fiscal 2009, we did not repurchase any equity securities.

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 two-year, five month period commencing January 29, 2007 and ending July 3, 2009. 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 2 YEAR, 5 MONTH CUMULATIVE TOTAL RETURN*

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



	1/29/2007	6/29/2007	6/27/2008	7/3/2009
Harris Stratex Networks, Inc.	100.00	89.90	47.90	30.75
NASDAQ Composite	100.00	107.65	95.36	75.51
NASDAQ Telecommunications	100.00	109.76	93.92	76.99

* 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.***

The following table summarizes our selected historical financial information for each of the last five fiscal years. The selected financial information as of and for the fiscal years ended July 3, 2009, June 27, 2008, June 29, 2007, June 30, 2006 and July 1, 2005 has been derived from our audited consolidated financial statements, for which data presented for fiscal years 2009, 2008 and 2007 are included elsewhere in this Annual Report on Form 10-K. This table should be read in conjunction with our other financial information, including "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and Notes, included elsewhere in this Annual Report on Form 10-K.

	Fiscal Years Ended				
	July 3, 2009(1)	June 27, 2008(2)	June 29, 2007(3)	June 30, 2006(4)	July 1, 2005
			(In millions)		
Revenue from product sales and services	$ 679.9	$ 718.4	$ 507.9	$ 357.5	$ 310.4
Cost of product sales and services	(505.5)	(528.2)	(361.2)	(275.2)	(223.5)
Net loss	(355.0)	(11.9)	(21.8)	(38.6)	(6.8)
Basic and diluted net loss per common share	(6.05)	(0.20)	(0.88)	N/A	N/A

	As of				
	July 3, 2009(1)	June 27, 2008(2)	June 29, 2007(3)	June 30, 2006(4)	July 1, 2005
			(In millions)		
Total assets	$600.2	$977.3	$1,025.5	$344.9	$358.1
Long-term liabilities	17.9	28.1	65.0	12.6	14.2
Total net assets	387.9	748.2	746.4	244.3	275.4

The following table summarizes certain charges and expenses included in our net losses for each of the fiscal years in the five year period ended July 3, 2009 (none during fiscal 2005).

	Fiscal Years Ended			
	July 3, 2009	June 27, 2008	June 29, 2007	June 30, 2006
		(In millions)		
Goodwill impairment charges	$279.0	$ —	$ —	$ —
Impairment charges for the trade name "Stratex"	32.6	—	—	—
Charges for product transition and product discontinuances	29.8	—	—	39.6
Restructuring charges	8.2	9.3	9.3	—
Amortization of developed technology	7.5	7.1	3.0	—
Amortization of trade names, customer relationships, non-competition agreements and contract backlog	5.7	6.7	7.5	—
Software impairment charges	3.2	—	—	—
Acquired in-process research and development	2.4	—	15.3	—
Amortization of the fair value adjustments related to fixed assets and inventory	1.7	2.8	9.0	—
Cost of integration activities undertaken in connection with the merger	—	11.9	5.4	—
Inventory mark-downs	—	14.7	—	—
Share-based compensation expense	2.9	7.8	5.7	1.7
	$373.0	$60.3	$55.2	$41.3

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

Overview of our Business and Products; Operating Environment and Key Factors Impacting Fiscal 2009 and 2010 Results

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

We generate revenue by designing, developing, manufacturing and supporting a range of wireless networking products, solutions and services for mobile and fixed telephone service providers, private network operators, government agencies, transportation and utility companies, public safety agencies and broadcast system operators across the globe. Our products include broadband wireless access base stations and customer premise equipment based upon the IEEE 802.16d-2004 and 16e-2005 standards for fixed and mobile WiMAX, point-to-point digital microwave radio systems for access, backhaul, trunking and license-exempt applications, supporting new network deployments, network expansion, and capacity upgrades.

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

Our objectives are to consistently deliver:

- Profitable revenue growth in all segments
- Maintain an efficient capital structure
- Reduce costs across all aspects of our business
- Focus on increased operational efficiencies

Business Overview

The majority of our goodwill and the trade name "Stratex" were recorded in connection with the acquisition of Stratex Networks, Inc. ("Stratex") in January 2007 and were included in the International Microwave segment of our business. In January 2009, we determined that based on the current global economic environment and the decline of our market capitalization, it was likely that an indicator of goodwill impairment existed as of the end of the second quarter of fiscal 2009. As a result, we performed an interim review for impairment as of the end of the second quarter of fiscal 2009 of our goodwill and other indefinite-lived intangible assets (consisting solely of the trade name "Stratex").

To test for potential impairment of our goodwill, we determined the fair value of each of our reporting segments based on projected discounted cash flows and market-based multiples applied to sales and earnings. The results indicated an impairment to goodwill, because the current carrying value of the North America Microwave and International Microwave segments exceeded their fair value. We then allocated these fair values to the respective underlying assets and liabilities to determine the implied fair value of goodwill, resulting in a $279.0 million charge to write down all of our goodwill. We determined the fair value of the trade name "Stratex" by performing a projected discounted cash flow analysis based on the relief-from-royalty approach, resulting in a $22.0 million charge to write down the trade name "Stratex" to $11.0 million as of April 3, 2009, the end of our third quarter in fiscal 2009.

During June 2009, subsequent to the May 27, 2009 spin-off by Harris of its majority interest or 56 percent of our common stock, Harris notified us of its intent to terminate the trademark license in effect between us since January 26, 2007. The new name of our Company will not include Harris or Stratex. Accordingly, the fair value of the indefinite-lived trade name "Stratex" was deemed to be impaired. Furthermore, we anticipate making this change by December 2009, which is a known definite life of six months from July 3, 2009, the end of our fiscal year 2009. As a result, we determined the fair value of the trade name "Stratex" as of July 3, 2009 by performing a projected discounted cash flow analysis based on the relief-from-royalty approach, resulting in a $10.6 million charge to write down a majority of the trade name "Stratex" to a fair value of $0.4 million with a six-month remaining life.

We will not be required to make any current or future cash expenditures as a result of these impairments, and these impairments do not impact our financial covenant compliance under our credit arrangements or our ongoing financial performance. We did not record any impairment losses on identifiable intangible assets or goodwill in fiscal 2008 or 2007.

In fiscal 2010, the challenges of the macro-economic climate will continue to remain a challenge for us. In any given region, we can be faced with currency issues, poor economic conditions, limited access to capital as credit markets remain tight, reduced capital spending or customer consolidation. While customer consolidation can generate attractive volume opportunities, it can also result in pricing pressures. Regardless of these challenges, we are committed to our strategic vision as we continue to make significant progress.

We will continue to execute on our four growth strategies announced last year — expanding our customer reach geographically, introducing a broader range of services to support our customers' growing needs, moving quickly to a fully-outsourced contract manufacturing model, and rebalancing our R&D investment to fund additional innovation incubators.

During the past year, we have laid the foundation for long-term growth by delivering innovative products and services, creating opportunities for our customers, improving customer satisfaction with key audiences and improving our internal business processes. Our focus in fiscal 2010 is to continue to build on this foundation and to execute well in key areas, including continuing to focus on converging to a common IP-based microwave platform, which will increase R&D efficiency, simplify our supply chain, improve lead times, reduce component cost, and decrease the number of products required to support our company's worldwide customer base.

In our global network services business, we are driving to meet the needs of our customers to optimize their investments, reduce their operational expenses and improve productivity. To help manage networks for enterprise carrier and State and Local Government customers, we recently commissioned a state-of-the-art network operations center, or NOC, at our Raleigh, North Carolina headquarters. Our NOC provides 24/7 energy, security and surveillance controls for subscribers worldwide, as well as performance monitoring to ensure productivity.

The rapidly increased popularity of smart phones, and the applications that they enable, is driving the need for more bandwidth in the backhaul portion of the mobile network. Our IP backhaul solutions are a compelling alternative in more cases than in the past, and we are optimistic about the future of this sector.

The American Recovery and Reinvestment Act creates another area of opportunity. Rural broadband is a perfect fit for what we offer specifically, backhaul over long distances and WiMAX in the last mile. Our ability to provide an end-to-end solution, including long-term managed service support, is closely aligned with the need of many small networks, and will be developed. Our backhaul solutions have now been accepted by the Rural Utility Services, RUS, a telecommunications program.

Internationally, Africa remains a region of relative strength when measured by customer demand and network infrastructure expansion. We continue to have a leadership position in Africa, but the region is not without its own challenges. Cash and credit excess are becoming increasingly important to customers, and roll-off has been slow. The strength of the U.S. dollar also makes network deployments more expensive. Despite these challenges, our long term outlook remains positive for this region. The acceptance of our two new growth areas, WiMAX and energy and security, continue to confirm that our products and services are a perfect match for this continent.

In our EMER region, which comprises Europe, the Middle East and Russia, the challenges continue, and may last longer than originally anticipated. Across Europe, especially Eastern Europe, operators continue to focus on their cash positions and are constraining their capital spending. The expansion plan of some Middle East operators has stalled, as they weigh strategic options. Select large operators, however, are investing in their future growth.

Asia-Pacific continues to deliver a number of growth opportunities. During the quarter, we captured several WiMAX rollouts and 2G expansions in the Philippines, Thailand, Indonesia and India.

Overall, we remain watchful of the risk profiles in all of the regions we serve. We do see signs of stabilization, but remain cautious in our extended growth outlook. Africa remains a region of relative strength for us, when measured by the demand and opportunity, as does Asia-Pacific. We believe we are establishing a competitive position in India, largely as a result of our acquisition, and expect to enlarge our footprint in other countries as well.

OPERATIONS REVIEW

Revenue and Net Loss

	2009	2008	2009/2008 % Increase/ (Decrease)	2007	2008/2007 % Increase/ (Decrease)
	(In millions, except percentages)				
Revenue	$ 679.9	$718.4	(5.4)%	$507.9	41.4%
Net loss	$(355.0)	$ (11.9)	N/M	$ (21.8)	N/M
% of revenue	N/M	(1.7)%	—	(4.3)%	—

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

Fiscal 2009 Compared with Fiscal 2008

Our revenue in fiscal 2009 was $679.9 million, a decrease of $38.5 million or 5.4%, compared with fiscal 2008. This decrease in revenue resulted from declines in all regions (except Africa) primarily due to the global economic recession and the continuing credit crisis adversely affecting our customers expansion, as well as increased competition from our competitors. Compared with fiscal 2008, revenue in fiscal 2009 in Europe, Middle East and Russia declined by $23.4 million, Latin America and Asia-Pacific declined $15.1 million, and North America was down $5.4 million. These decreases were partially offset by growth in Africa ($15.1 million increase) as customers in this region continued to expand their network infrastructures prior to the slowdown in the third quarter of fiscal 2009.

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

Our net loss in fiscal 2009 was $355.0 million compared with $11.9 million in fiscal 2008. The net loss in fiscal 2009 included $311.6 million of impairment charges for goodwill and the trade name “Stratex” and $29.8 million of charges related to the accelerated transition towards a common IP-based platform.

These charges, as well as purchase accounting adjustments and other expenses related to the acquisitions of Stratex and Telsima, share-based compensation expense and an impairment for software are set forth on a comparative basis in the table below:

	Fiscal 2009	Fiscal 2008
	(In millions)	
Goodwill impairment charges	$279.0	$ —
Impairment charges for the trade name "Stratex"	32.6	—
Charges for product transition	29.8	—
Restructuring charges	8.2	9.3
Amortization of developed technology	7.5	7.1
Amortization of trade names, customer relationships and non-competition agreements	5.7	6.7
Software impairment charges	3.2	—
Acquired in-process research and development	2.4	—
Amortization of the fair value adjustments related to fixed assets	1.7	2.8
Cost of integration activities undertaken in connection with the merger	—	11.9
Inventory mark-downs	—	14.7
Share-based compensation expense	2.9	7.8
	$373.0	$60.3

During the first quarter of fiscal 2009, we announced a new restructuring plan (the "Fiscal 2009 Plan") to reduce our worldwide workforce. During fiscal 2008, Harris Stratex completed its restructuring activities implemented within the merger restructuring plans (the "Fiscal 2007 Plans") approved in connection with the January 26, 2007 merger between the Microwave Communications Division of Harris Corporation and Stratex. These restructuring plans included the consolidation of facilities and operations of the predecessor entities in Canada, France, the U.S., China, Brazil and, to a lesser extent, Mexico, New Zealand and the United Kingdom.

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

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

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

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

Fiscal 2008 Compared with Fiscal 2007

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)	
Inventory markdowns and impairment from product transitioning	$14.7	$ —
Restructuring charges	9.3	9.3
Cost of integration activities undertaken in connection with the merger	11.9	5.4
Amortization of developed technology	7.1	3.0
Amortization of trade names, customer relationships and non-competition agreements and backlog	6.7	7.5
Amortization of the fair value adjustments related to fixed assets and inventory	2.8	9.0
Write-off of in-process research & development	—	15.3
Share-based compensation expense	7.8	5.7
	$60.3	$55.2

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.

Gross Margin

	2009	2008	2009/2008 % Increase/ (Decrease)	2007	2008/2007 % Increase/ (Decrease)
	(In millions, except percentages)				
Revenue	$679.9	$718.4	(5.4)%	$507.9	41.4%
Cost of product sales and services	$505.5	$528.2	(4.3)%	$361.2	46.2%
Gross margin	$174.4	$190.2	(8.3)%	$146.7	29.7%
% of revenue	25.7%	26.5%	—	28.9%	—

Fiscal 2009 Compared with Fiscal 2008

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

By comparison, gross margin in fiscal 2008 was reduced by $14.7 million for inventory markdowns and impairment relating to product transitioning, $7.1 million of amortization on 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.

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

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.

Research and Development Expenses

	2009	2008	2009/2008 % Increase/ (Decrease)	2007	2008/2007 % Increase/ (Decrease)
	(In millions, except percentages)				
Research and development expenses	$40.4	$46.1	(12.4)%	$39.4	17.0%
% of revenue	5.9%	6.4%	—	7.8%	—

Fiscal 2009 Compared with Fiscal 2008

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

Fiscal 2008 Compared with Fiscal 2007

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.

Selling and Administrative Expenses

	2009	2008	2009/2008 % Increase/ (Decrease)	2007	2008/2007 % Increase/ (Decrease)
	(In millions, except percentages)				
Selling and administrative expenses	$138.3	$141.4	(2.2)%	$98.9	43.0%
% of revenue	20.3%	19.7%	—	19.5%	—

Fiscal 2009 Compared with Fiscal 2008

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

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

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

Fiscal 2008 Compared with Fiscal 2007

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.

Income Taxes

	2009	2008	2009/2008 % Increase/ (Decrease)	2007	2008/2007 % Increase/ (Decrease)
		(In millions, except percentages)			
Loss before income taxes	$(337.2)	$(13.9)	N/M	$(27.9)	(50.2)%
Income tax benefit (expense)	$ (17.8)	$ 2.0	N/M	$ 6.1	N/M
% of loss before income taxes	(5.3)%	14.4%	—	21.9%	—

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

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

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.

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.

As of July 3, 2009, we had $27.9 million of U.S. and foreign credit carryforward. We also had U.S. net operating loss carryforwards of approximately $201.2 million and U.S. capital loss carryforwards of $12.9 million. Tax loss and credit carryforwards as of July 3, 2009 have expiration dates ranging between one year and none in certain instances. Certain credits begin to expire in fiscal 2010 and U.S. net operating losses will begin to expire in fiscal 2022. On January 26, 2007 we recorded a full valuation allowance on the net operating loss carryforward in the opening balance sheet of Stratex under purchase accounting. During the current year, all goodwill was impaired. Any realization of the acquired net operating loss carryforwards in future periods will be recorded through the income statement.

Discussion of Business Segments

North America Microwave Segment

	2009	2008	2009/2008 % Increase/ (Decrease)	2007	2008/2007 % Increase/ (Decrease)
		(In millions, except percentages)			
Revenue	$227.0	$232.4	(2.3)%	$216.3	7.4%
Segment operating (loss) income	$ (62.7)	$ (9.4)	N/M	$ 6.3	N/M
% of revenue	(27.6)%	(4.0)%	—	2.9%	—

Fiscal 2009 Compared with Fiscal 2008

North America Microwave segment revenue decreased by $5.4 million, or 2.3%, in fiscal 2009 compared with fiscal 2008. This decrease in revenue resulted primarily from the global economic recession and the continuing credit crisis adversely affecting our customers expansion.

Our North America Microwave segment had an operating loss of $62.7 million in fiscal 2009 primarily due to goodwill impairment and charges for the accelerated transition towards a common IP-based platform. The charges for this accelerated product transition included provisions for legacy product excess and obsolete inventory, and write-downs of property, plant, manufacturing and test equipment, and charges recorded for inventory purchase commitments. This compares with an operating loss of $9.4 million in fiscal 2008. The operating losses in fiscal 2009 and 2008 also included acquisition expenses, restructuring charges and share-based compensation expense.

The following table summarizes these charges and expenses included in the North America Microwave segment operating results during fiscal 2009 and 2008:

	2009	2008
	(In millions)	
Goodwill impairment charges	$31.8	$ —
Charges for product transition	25.3	—
Impairment charges for the trade name "Stratex"	10.7	—
Restructuring charges	5.1	4.9
Software impairment charges	3.2	—
Amortization of developed technology, trade names, customer relationships and non-compete agreements	3.0	2.7
Amortization of the fair value adjustments related to fixed assets	0.6	1.1
Cost of integration activities undertaken in connection with the merger	—	3.2
Inventory mark-downs	—	12.9
Lease impairment	—	1.8
Share-based compensation expense	1.8	7.4
	$81.5	$34.0

Fiscal 2008 Compared with Fiscal 2007

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.

Our North America Microwave segment had an operating loss of $9.4 million in fiscal 2008 compared with operating income of $6.3 million in fiscal 2007 due to the following charges and expenses included in fiscal 2008 compared with similar types of charges in fiscal 2007:

	2008	2007
	(In millions)	
Inventory mark-downs	$12.9	$ —
Restructuring charges	4.9	5.1
Cost of integration activities undertaken in connection with the merger	3.2	2.7
Amortization of developed technology, trade names, customer relationships and non-compete agreements	2.7	1.4
Lease impairment	1.8	—
Amortization of the fair value adjustments related to fixed assets	1.1	0.4
Share-based compensation expense	7.4	5.7
	$34.0	$15.3

International Microwave Segment

	2009	2008	2009/2008 % Increase/ (Decrease)	2007	2008/2007 % Increase/ (Decrease)
	(In millions, except percentages)				
Revenue	$ 438.3	$461.7	(5.1)%	$272.2	69.6%
Segment operating loss	$(270.8)	$ (5.7)	N/M	$ (31.3)	N/M
% of revenue	(61.8)%	(1.2)%	—	(11.5)%	—

Fiscal 2009 Compared with Fiscal 2008

International Microwave segment revenue decreased by $23.4 million or 5.1% in fiscal 2009 compared with fiscal 2008. This decrease in revenue resulted from declines in all regions (except Africa) primarily due to the global economic recession and the continuing credit crisis adversely affecting our customers expansion. Compared with fiscal 2008, revenue in fiscal 2009 in Europe, Middle East and Russia declined by $23.4 million and Latin America and Asia-Pacific declined $15.1 million. These decreases were partially offset by growth in Africa ($15.1 million increase) as customers in this region continued to expand their network infrastructures prior to the slowdown in the third quarter of fiscal 2009.

Our International Microwave segment had an operating loss of $270.8 million in fiscal 2009 primarily due to charges for goodwill and trade name impairments. This compares with an operating loss of $5.7 million in fiscal 2008. The operating losses in fiscal 2009 and 2008 also included acquisition expenses, restructuring charges and share-based compensation expense.

The following table summarizes these charges and expenses included in the International Microwave segment operating results during fiscal 2009 and 2008:

	2009	2008
	(In millions)	
Goodwill impairment charges	$247.2	$ —
Impairment charges for the trade name “Stratex”	21.9	—
Amortization of developed technology, trade names, customer relationships and non-compete agreements	10.2	11.9
Charges for product transition	4.5	—
Restructuring charges	3.1	2.6
Acquired in-process research and development	2.4	—
Amortization of the fair value adjustments related to fixed assets	1.1	1.7
Cost of integration activities undertaken in connection with the merger	—	6.1
Inventory mark-downs	—	1.8
Share-based compensation expense	1.1	0.4
	$291.5	$24.5

Fiscal 2008 Compared with Fiscal 2007

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 $31.3 million in fiscal 2007 due to the following charges and expenses included in fiscal 2008 compared with similar types of charges in fiscal 2007:

	2008	2007
	(In millions)	
Amortization of developed technology, trade names, customer relationships and non-compete agreements	$11.9	$ 9.1
Cost of integration activities undertaken in connection with the merger	6.1	3.6
Restructuring charges	2.6	4.2
Inventory mark-downs	1.8	—
Amortization of the fair value adjustments related to fixed assets	1.7	8.6
Acquired in-process research and development	—	15.3
Share-based compensation expense	0.4	—
	$24.5	$40.8

Network Operations Segment

	2009	2008	2009/2008 % Increase/ (Decrease)	2007	2008/2007 % Increase/ (Decrease)
	(In millions, except percentages)				
Revenue	$ 14.6	$24.3	(39.9)%	$19.4	25.2%
Segment operating income	$ (1.8)	$ 1.4	N/M	$ 1.3	7.7%
% of revenue	(12.3)%	5.8%	—	6.7%	—

Fiscal 2009 Compared with Fiscal 2008

Network Operations segment revenue decreased by 39.9% in fiscal 2009 compared with fiscal 2008 primarily due to the global economic recession and the continuing credit crisis adversely affecting our customers expansion. This segment reported an operating loss of $1.8 million in fiscal 2009 compared with operating income of $1.4 million in fiscal 2008. The operating loss in fiscal 2009 compared with an operating income in fiscal 2008 resulted primarily from the significant decline in revenue.

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.

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 2009, 2008 and 2007, Harris charged us $5.5 million,

$7.0 million and $6.8 million for these services. We intend to continue utilizing select services from Harris and have extended the terms of the Transition Services Agreement. However, as a result of Harris's spin-off of its share of our stock to its stockholders in May 2009, Harris will no longer be considered a related party with respect to transactions under that arrangement.

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 $6.0 million, $3.5 million and $1.9 million in fiscal 2009, 2008 and 2007. We also recognized costs associated with related party purchases from Harris of $3.3 million, $6.1 million and $6.7 million for fiscal 2009, 2008 and 2007.

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.

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 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 $6.3 million and $4.0 million as of July 3, 2009 and June 27, 2008. Total payables to Harris were $3.3 million and $20.8 million as of July 3, 2009 and June 27, 2008.

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 July 3, 2009, our lease obligation to Harris was $1.4 million of which $0.5 million is a current liability and the related asset amount, net of accumulated amortization of $1.4 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 2009 we paid Harris $1.4 million under this capital lease obligation. 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 $1.1 million, $1.8 million and $0.8 million in fiscal 2009, 2008 and 2007. As of July 3, 2009, the future minimum payments for this lease are $0.8 million for fiscal 2010, $0.5 million for fiscal 2011 and $0.2 million for fiscal 2012.

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL STRATEGIES

Sources of Cash

As of July 3, 2009, our principal sources of liquidity consisted of $137.1 million in cash, cash equivalents and short-term investments plus $47.5 million of available credit under our current $70 million credit facility.

Available Credit Facility and Repayment of Debt

As of July 3, 2009, we had $47.5 million of credit available under our $70 million revolving credit facility with two commercial banks as mentioned above. The total amount of revolving credit available was $70 million less $10 million in outstanding short term loans which mature by December 2010, and $12.5 million in outstanding standby letters of credit. The current credit facility for an initial committed amount of $70 million replaced our previous credit facility with one commercial bank in the amount of $50 million as of June 30, 2008. As of that date we had outstanding a long-term loan of $8.8 million and $8.6 million in standby letters of credit defined as usage under the previous facility. The $8.8 million in long-term debt was repaid at that time with the proceeds of a $10 million short-term borrowing under the current facility. The standby letters of credit outstanding at that time remained as an obligation to the bank and are not included as usage under the current facility.

The initial commitment of $70 million under the current facility is currently divided equally between Bank of America and Silicon Valley Bank, with each providing $35 million. The initial term of the facility expires in June 2011 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 facility contains a minimum liquidity ratio covenant and a maximum leverage ratio covenant and is unsecured.

Our debt consisted of the following as of July 3, 2009 and June 27, 2008:

	July 3, 2009	June 27, 2008
	(In millions)	
Long-term borrowings	$ —	$ 8.8
Short-term borrowings	10.0	—
Total	10.0	8.8
Less short-term borrowings and current portion of long-term debt	(10.0)	(5.0)
Long-term debt outstanding	$ —	$ 3.8

Based on covenants included as part of the credit facility as of June 30, 2008, we must maintain, as measured at the last day of each fiscal quarter, (1) no more than a maximum consolidated leverage ratio of 3.00 to 1 (defined as the ratio of total consolidated funded indebtedness to consolidated EBITDA for the four fiscal quarters most recently ended) and (2) a minimum liquidity coverage ratio of 1.75 to 1 (defined as the ratio of total unrestricted cash and equivalents, short-term investments and marketable securities plus 50% of total monetary receivables to the total amount of outstanding loans and letter of credit obligations under the facility). As of July 3, 2009, we were in compliance with these financial covenants.

Restructuring and Payments

We have a liability for restructuring activities totaling $7.8 million as of July 3, 2009, of which $5.3 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 available and cash flow provided by operations.

Contractual Obligations

As of July 3, 2009, we had contractual cash obligations for repayment of short-term debt and related interest, purchase obligations to acquire goods and services, payments for operating lease commitments, a capital lease obligation 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	2010	2011 and 2012	2013 and 2014	After 2014
			(In millions)		
Short-term debt	$ 10.0	$ 10.0	$ —	$ —	$ —
Interest on short-term debt	0.4	0.4	—	—	—
Purchase obligations(1)	46.1	46.1	—	—	—
Operating lease commitments	28.9	12.0	12.4	3.2	1.3
Capital lease obligation to Harris Corporation and others	1.8	0.7	1.1	—	—
Restructuring and severance liabilities	8.5	5.3	3.2	—	—
Redeemable preference shares(2)	8.3	—	—	—	8.3
Dividend requirements on redeemable preference shares(3)	7.6	1.0	2.0	2.0	2.6
Current liabilities on the balance sheet	194.4	194.4	—	—	—
Total contractual cash obligations	$306.0	$269.9	$18.7	$5.2	$12.2

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

(2) Assumes the mandatory redemption will occur more than five years from July 3, 2009.

(3) The dividend rate is 12% and assumes no redemptions for five years from July 3, 2009.

Commercial Commitments

We have entered into commercial commitments in the normal course of business including surety bonds, standby letters of credit and other arrangements with financial institutions and insurers primarily relating to the guarantee of future performance on certain tenders and contracts to provide products and services to customers. As of July 3, 2009, 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	2010	2011	2012	After 2012
	(In millions)				
Standby letters of credit used for:					
Bids	$ 2.5	$ 2.5	$ —	$ —	$ —
Down payments	5.1	5.1	—	—	—
Performance	11.1	9.5	1.1	0.1	0.4
Warranty	0.1	—	0.1	—	—
	18.8	17.1	1.2	0.1	0.4
Surety bonds used for:					
Bids	7.4	7.4	—	—	—
Warranty	2.0	1.7	0.2	0.1	—
Payment guarantees	0.3	0.3	—	—	—
Performance	71.3	53.3	18.0	—	—
	81.0	62.7	18.2	0.1	—
Total commitments	$99.8	$79.8	$19.4	$0.2	$0.4

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

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

Off-Balance Sheet Arrangements

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

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

Currently we are not participating in transactions that generate relationships with unconsolidated entities or financial partnerships, including variable interest entities, and we do not have any material retained or contingent interest in assets as defined above. As of July 3, 2009, we did not have material financial guarantees or other contractual commitments that are reasonably likely to adversely affect liquidity. In addition, we are not currently a party to any related party transactions that materially affect our results of operations, cash flows or financial condition.

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

Financial Risk Management

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

Exchange Rate Risk

We are exposed to global market risks, including the effect of changes in foreign currency exchange rates, and use derivatives to manage financial exposures that occur in the normal course of business. We do not hold nor issue derivatives for trading purposes.

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

Substantially all derivatives outstanding as of July 3, 2009 are designated as cash flow hedges or non-designated hedges of recorded balance sheet positions. All derivatives are recognized on the balance sheet at their fair value. The total notional amount of outstanding derivatives as of July 3, 2009 was $74.9 million, of which $9.7 million were designated as cash flow hedges and $65.2 million were not designated as cash flow hedging instruments.

A 10% adverse change in currency exchange rates for our foreign currency derivatives held as of July 3, 2009 would have an impact of approximately $4.6 million on the fair value of such instruments. This quantification of exposure to the market risk associated with foreign exchange financial instruments does not take into account the offsetting impact of changes in the fair value of our foreign denominated assets, liabilities and firm commitments.

As of July 3, 2009, we had 40 foreign currency forward contracts outstanding with a total net notional amount of $29.2 million consisting of 14 different currencies, primarily the Australian dollar, Canadian dollar, Euro and

Polish zloty. Following is a summary by currency of the contract net notional amounts grouped by the underlying foreign currency:

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

Annual Report

Cash Flow Hedges

The purpose of our foreign currency hedging activities is to protect us from the risk that the eventual cash flows resulting from transactions in foreign currencies, including revenue, product costs, selling and administrative expenses and intercompany transactions will be adversely affected by changes in exchange rates. It is our policy to utilize derivatives to reduce foreign exchange risks where internal netting strategies cannot be effectively employed. As of July 3, 2009, hedged transactions included our customer and intercompany backlog and outstanding purchase commitments denominated in Euros. We hedge up to 100% of anticipated exposures typically one to three months in advance, but have hedged as much as five months in advance. We generally review our exposures twice each month and adjust the amount of derivatives outstanding as needed.

We formally assess both at inception and on an ongoing basis, whether the derivatives that are used in the hedging transaction have been highly effective in offsetting changes in the value or cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. We discontinue hedge accounting when the derivative expires or is sold, terminated, or exercised or it is no longer probable that the forecasted transaction will occur. When it is determined that a derivative is not, or has ceased to be, highly effective as a hedge, we discontinue hedge accounting and redesignate the hedge as a non-Statement 133 hedge, if it is still outstanding at the time the determination is made.

Non-Designated Hedges

As mentioned above, the total notional amount of outstanding derivatives as of July 3, 2009 not designated as cash flow hedging instruments was $65.2 million. The purpose of these hedges is to offset realized and unrealized foreign exchange gains and losses recorded on non-functional currency monetary assets and liabilities, including primarily cash balances and accounts receivable and accounts payable from third party and intercompany transactions recorded on the balance sheet. Since these gains and losses are considered by us to be operational in nature, we record both the gains and losses from the revaluation of the balance sheet transactions and the gains and losses on the derivatives in cost of products sold. For derivatives not designated as hedging instruments, we recorded in cost of products sold on our Statement of Operations in the fourth quarter of fiscal 2009 and the fiscal year 2009, losses of $1.7 million and gains of $5.4 million.

Credit Risk

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

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

Interest Rate Risk

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

Exposure on Cash Equivalents and Short-term Investments

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 $137.1 million in cash, cash equivalents and short-term investments as of July 3, 2009. Short-term investments totaled $0.3 million as of July 3, 2009 and had contractual maturities of less than one month.

The primary objective of our short-term investment activities is to preserve principal while maximizing yields, without significantly increasing risk. Our cash equivalents and short-term investments 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 and short-term investments held as of July 3, 2009 was less than two days, and these investments had an average yield of 0.4% per annum.

As of July 3, 2009, unrealized losses on our short-term investments were insignificant. Cash equivalents and short-term investments have been recorded at fair value on our balance sheet.

Exposure on Borrowings

Borrowings under our $70 million revolving credit facility effective as of June 30, 2008 were at an interest rate of either (1) the bank's prime rate or (2) the London Interbank Offered Rate ("LIBOR") plus 1.25%. During the fiscal year ended July 3, 2009, we had $10 million of short-term borrowings outstanding under the credit facility and recorded total interest expense of $0.4 million on these borrowings. 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 31% of our international business was transacted in non U.S. dollar currency environments in fiscal 2009 compared with 22% 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 July 3, 2009, the cumulative translation adjustment decreased shareholders' equity by $4.4 million compared with an increase of $4.1 million as of June 27, 2008, an adverse effect totaling $8.5 million during fiscal 2009. As discussed above, we utilize foreign currency hedging instruments to minimize the currency risk of international transactions.

Seasonality

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

Critical Accounting Estimates

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

- Revenue Recognition
- 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."

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. 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." 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 the timing of revenue recognition.

Revenue from product sales where any software is considered incidental (other than for long-term contracts) and services, are recognized 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 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. Recognition of profit on long-term contracts requires estimates of: the total contract value; the total cost at completion; and the measurement of progress towards completion. Significant judgment is required when estimating total contract costs and progress to completion on the arrangements as well as whether a loss is expected to be incurred on the contract. Amounts representing contract change orders, claims or other items are included in sales only when they can be reliably estimated and realization is probable. When adjustments in contract value or estimated costs are determined, any changes from prior estimates are reflected in earnings in the current period. Anticipated losses on contracts or programs in progress are charged to earnings when identified.

For revenue recognition from the sale of software or products which have software which is more than incidental to the product as a whole, the entire fee from the arrangement 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 delivery, or fair value of the undelivered element exists, unless the undelivered element is a service, in which the entire arrangement fee is recognized ratably over the period during which the services are expected to be performed.

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

Provisions for Excess and Obsolete Inventory Losses

As of July 3, 2009, our reserve for excess and obsolete inventory was $49.9 million, or 33.6% of the gross inventory balance, which compares to a reserve of $35.6 million, or 27.6% of the gross inventory balance as of June 27, 2008. During fiscal 2009, we increased our net inventory reserves by $14.3 million primarily due to inventory mark-downs as a result of product transitioning and product discontinuance. During the third quarter of fiscal 2009, we also recorded $3.4 million included in "Charges for product transition" on the Consolidated Statement of Operations for estimated losses on future inventory purchase commitments. 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.

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.

Goodwill and Intangible Assets

Goodwill on our consolidated balance sheet as of July 3, 2009 and June 27, 2008 was $3.2 million and $284.2 million. Identifiable intangible assets on our consolidated balance sheet as of July 3, 2009 and June 27, 2008 was $84.1 million and $130.1 million. During fiscal 2009, we recorded impairment charges of $279.0 million for goodwill and $32.6 million for the Stratex trade name which had indefinite lives. We have not recorded any impairment losses on identifiable intangible assets with definite lives in fiscal 2009, 2008 or 2007.

The majority of our goodwill and the trade name "Stratex" were recorded in connection with the acquisition of Stratex Networks, Inc. ("Stratex") in January 2007 and were included in the International Microwave segment of our business. In January 2009, we determined that based on the current global economic environment and the decline of our market capitalization, it was likely that an indicator of goodwill impairment existed as of the end of the second quarter of fiscal 2009. As a result, we performed an interim review for impairment as of the end of the second quarter of fiscal 2009 of our goodwill and other indefinite-lived intangible assets (consisting solely of the trade name "Stratex").

To test for potential impairment of our goodwill, we determined the fair value of each of our reporting segments based on projected discounted cash flows and market-based multiples applied to sales and earnings. The results indicated an impairment to goodwill, because the current carrying value of the North America Microwave and International Microwave segments exceeded their fair value. We then allocated these fair values to the respective underlying assets and liabilities to determine the implied fair value of goodwill, resulting in a $279.0 million charge to write down all of our goodwill. We determined the fair value of the trade name "Stratex" by performing a projected discounted cash flow analysis based on the relief-from-royalty approach, resulting in a $22.0 million charge to write down the trade name "Stratex" to $11.0 million as of April 3, 2009, the end of our third quarter in fiscal 2009.

During June 2009, subsequent to the May 27, 2009 spin-off by Harris of its majority interest or 56 percent of our common stock, Harris notified us of its intent to terminate the trademark license in effect between us since January 26, 2007. The new name of our Company will not include Harris or Stratex. Accordingly, the fair value of the indefinite-lived trade name "Stratex" was deemed to be impaired. Furthermore, we anticipate making this change by December 2009, which is a known definite life of six months from July 3, 2009, the end of our fiscal year 2009. As a result, we determined the fair value of the trade name "Stratex" as of July 3, 2009 by performing a projected discounted cash flow analysis based on the relief-from-royalty approach, resulting in a $10.6 million charge to write down a majority of the trade name "Stratex" to a fair value of $0.4 million with a six-month remaining life.

We will not be required to make any current or future cash expenditures as a result of these impairments, and these impairments do not impact our financial covenant compliance under our credit arrangements or our ongoing financial performance. We did not record any impairment losses on identifiable intangible assets or goodwill in fiscal 2008 or 2007.

We review goodwill and identifiable intangible assets for impairment annually and whenever events or changes in circumstances indicate its carrying value may not be recoverable. We are required to perform a two-step impairment test 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 N 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.

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. 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

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 July 3, 2009 includes a non-current deferred income tax asset of $8.0 million and a non-current deferred tax liability of $0.9 million. This compares to a net 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 as of June 27, 2008. For all jurisdictions for which we have deferred tax assets, we expect that our existing levels of pre-tax earnings are sufficient to generate the amount of future taxable income needed to realize these tax assets. Our valuation allowance related to deferred income taxes, as reflected in our consolidated balance sheet, was $168.9 million as of July 3, 2009 and $116.9 million as of June 27, 2008. The increase in valuation allowance from fiscal 2008 to fiscal 2009 was primarily due to our establishing a valuation allowance on certain 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 basis differences in foreign subsidiaries of $11.7 million and $73.1 million as of July 3, 2009 and June 27, 2008, because of our intention to reinvest these earnings indefinitely. The determination of unrecognized deferred U.S. tax liability for foreign subsidiaries is not practicable. Tax loss and credit carryforwards as of July 3, 2009 have expiration dates ranging between one year and no expiration in certain instances. The amount of U.S. tax loss carryforwards as of July 3, 2009 and June 27, 2008 was $201.2 million and $198.5 million and begin to expire in fiscal 2022. Credit carryforwards as of July 3, 2009 and June 27, 2008 was $27.9 million and $24.8 million and certain credits begin to expire in fiscal 2010. The amount of foreign tax loss carryforwards for July 3, 2009 and June 27, 2008 was $50.5 million and $40.2 million. The utilization of a portion of the U.S. net operating losses created prior to the merger is subject to an annual limitation under Section 382 of the Internal Revenue Code as a result of a change of ownership. Income taxes paid were $2.6 million, $2.2 million and $6.6 million during fiscal 2009, 2008 and 2007.

The effective tax rate in the fiscal year ended July 3, 2009 was impacted unfavorably by a valuation allowance recorded on certain deferred tax assets, certain purchase accounting adjustments and foreign tax credits where it was determined it was not more likely than not that the assets would be realized. The net change in the valuation allowance impacting the effective tax rate during the year ended July 3, 2009 was an increase of $50.8 million.

During the year ended July 3, 2009, certain temporary taxable differences in the amount of $7.2 million were realized. This realization resulted in a reduction of the valuation allowance placed on Stratex acquired deferred tax assets. The reduction of this valuation allowance was recorded against the goodwill and non-current intangible assets acquired in the Stratex acquisition. The reduction of the acquired intangible assets was required after the impairment reduced our goodwill from the Stratex acquisition to zero. The portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be accounted for through the income statement is $56.1 million. For the year ended June 27, 2008, certain temporary taxable differences in the amount of

$30.7 million were realized. This realization resulted in a reduction of the valuation allowance placed on Stratex acquired deferred tax assets. The reduction of this valuation allowance was recorded against the goodwill related to the Stratex acquisition. The portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be allocated to reduce goodwill was $63.3 million as of June 27, 2008.

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

We entered into a tax sharing agreement with Harris Corporation effective on January 26, 2007, the date of the merger. The tax sharing agreement addresses, among other things, the settlement process associated with pre-merger tax liabilities and tax attributes that are attributable to the MCD business when it was a division of Harris Corporation. There were no settlement payments recorded in fiscal 2009, 2008 or 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 "Accounting for Uncertainties in Income Taxes." FIN 48 addresses the accounting for and disclosure of uncertainty in income tax positions, by prescribing a minimum recognition threshold that a tax position is required to satisfy before being recognized in the financial statements.

As of July 3, 2009 and June 27, 2008, we had a liability for unrecognized tax benefits of $30.9 million and $29.6 million for various federal, foreign, and state income tax matters. Unrecognized tax benefits increased by $1.3 million. If the unrecognized tax benefits associated with these positions are ultimately recognized, they would not be expected to have a material impact on our effective tax rate or financial position.

We account for interest and penalties related to unrecognized tax benefits as part of our provision for federal, foreign, and state income taxes. We did not accrue an additional amount for such interest as of July 3, 2009 and, as of June 27, 2008, we accrued additional interest of less than $0.1 million. No penalties have been accrued.

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

We have a number of years with open tax audits which vary from jurisdiction to jurisdiction. Our major tax jurisdictions include the U.S., Singapore, Poland, Nigeria, France and the U.K. The earliest years still open and subject to ongoing audits for these jurisdictions are as follows: United States — 2003; Singapore — 2006; Poland — 2004; Nigeria — 2004; France — 2006; and UK — 2006. As of July 3, 2009, we were not under audit by the U.S. Internal Revenue Service.

Impact of Recently Issued Accounting Pronouncements

As described in "Note B — Significant Accounting Policies and New 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 B describes the potential impact that these pronouncements are expected to have on our financial position, results of operations and cash flows.

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

In the normal course of doing business, we are exposed to the risks associated with foreign currency exchange rates and changes in interest rates. We employ established policies and procedures governing the use of financial instruments to manage our exposure to such risks. For a discussion of such policies and procedures and the related risks, see "Financial Risk Management" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," which is incorporated by reference into this Item 7A.

Item 8. *Financial Statements and Supplementary Data.*

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Harris Stratex Networks, Inc. and subsidiaries as of July 3, 2009 and June 27, 2008, and the related consolidated statements of operations, shareholders' equity and comprehensive loss, and cash flows for each of the three years in the period ended July 3, 2009. 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 July 3, 2009 and June 27, 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended July 3, 2009, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

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 July 3, 2009, 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 3, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Raleigh, North Carolina
September 3, 2009

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 July 3, 2009, 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.

In our opinion, Harris Stratex Networks, Inc. maintained, in all material respects, effective internal control over financial reporting as of July 3, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Harris Stratex Networks, Inc. and subsidiaries as of July 3, 2009 and June 27, 2008, and the related consolidated statements of operations, shareholders' equity and comprehensive loss, and cash flows for each of the three years in the period ended July 3, 2009 of Harris Stratex Networks, Inc. and our report dated September 3, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Raleigh, North Carolina
September 3, 2009

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Years Ended		
	July 3, 2009	June 27, 2008	June 29, 2007
	(In millions, except per share amounts)		
Revenue from product sales and services:			
Revenue from external product sales	$ 559.5	$ 591.7	$ 409.1
Revenue from product sales with Harris Corporation	6.0	3.5	1.9
Total revenue from product sales	565.5	595.2	411.0
Revenue from services	114.4	123.2	96.9
Total revenue from product sales and services	679.9	718.4	507.9
Cost of product sales and services:			
Cost of external product sales	(383.5)	(427.1)	(286.3)
Charges for product transition	(29.8)	—	—
Cost of product sales with Harris Corporation	(2.4)	(1.3)	(1.3)
Total cost of product sales	(415.7)	(428.4)	(287.6)
Cost of services	(81.4)	(87.9)	(65.2)
Cost of sales billed from Harris Corporation	(0.9)	(4.8)	(5.4)
Amortization of purchased technology	(7.5)	(7.1)	(3.0)
Total cost of product sales and services	(505.5)	(528.2)	(361.2)
Gross margin	174.4	190.2	146.7
Research and development expenses	(40.4)	(46.1)	(39.4)
Selling and administrative expenses	(132.8)	(134.4)	(92.1)
Selling and administrative expenses with Harris Corporation	(5.5)	(7.0)	(6.8)
Total research, development, selling and administrative expenses	(178.7)	(187.5)	(138.3)
Acquired in-process research and development	(2.4)	—	(15.3)
Amortization of identifiable intangible assets	(5.6)	(7.1)	(7.5)
Software impairment charges	(3.2)	—	—
Restructuring charges	(8.2)	(9.3)	(9.3)
Goodwill impairment charges	(279.0)	—	—
Trade name impairment charges	(32.6)	—	—
Corporate allocations expense from Harris Corporation	—	—	(3.7)
Operating loss	(335.3)	(13.7)	(27.4)
Interest income	0.9	2.4	1.8
Interest expense	(2.8)	(2.6)	(2.3)
Loss before provision for or benefit from income taxes	(337.2)	(13.9)	(27.9)
(Provision for) benefit from income taxes	(17.8)	2.0	6.1
Net loss	$(355.0)	$ (11.9)	$ (21.8)
Net loss per common share of Class A and Class B Common Stock (Notes 1 and 2):			
Basic and diluted	$ (6.05)	$ (0.20)	$ (0.88)
Basic and diluted weighted average shares outstanding	58.7	58.4	24.7

(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

	July 3, 2009	June 27, 2008
	(In millions, except share amounts)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 136.8	$ 95.0
Short-term investments	0.3	3.1
Receivables	142.9	199.7
Unbilled costs	27.8	37.1
Inventories	98.6	93.5
Deferred income taxes	—	12.6
Due from Harris Corporation	3.0	—
Other current assets	26.7	19.1
Total current assets	436.1	460.1
Long-Term Assets		
Property, plant and equipment	57.4	75.6
Goodwill	3.2	284.2
Identifiable intangible assets	84.1	130.1
Capitalized software	9.3	9.5
Non-current portion of notes receivable	0.4	2.5
Non-current deferred income taxes	8.0	13.7
Other assets	1.7	1.6
Total long-term assets	164.1	517.2
Total assets	$ 600.2	$977.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	$ 10.0	$ —
Current portion of long-term debt	—	5.0
Accounts payable	69.6	81.1
Compensation and benefits	16.6	19.5
Other accrued items	54.9	42.1
Advance payments and unearned income	37.3	30.1
Restructuring liabilities	5.3	5.1
Current portion of long-term capital lease obligation to Harris Corporation and others	0.7	1.3
Due to Harris Corporation	—	16.8
Total current liabilities	194.4	201.0
Long-Term Liabilities		
Long-term debt	—	3.8
Long-term portion of capital lease obligation to Harris Corporation and others	1.1	1.3
Restructuring and other long-term liabilities	3.2	7.4
Redeemable preference shares	8.3	8.3
Warrants	—	0.6
Reserve for uncertain tax positions	4.4	3.0
Deferred income taxes	0.9	3.7
Total Liabilities	212.3	229.1
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 58,903,177 shares as of July 3, 2009 and 25,556,134 shares as of June 27, 2008	0.6	0.3
Common stock, Class B, $0.01 par value; 100,000,000 shares authorized; issued and outstanding zero shares as of July 3, 2009 and 32,913,377 shares as of June 27, 2008	—	0.3
Additional paid-in-capital	783.2	779.9
Accumulated deficit	(391.1)	(36.1)
Accumulated other comprehensive (loss) income	(4.8)	3.8
Total Shareholders' Equity	387.9	748.2
Total Liabilities and Shareholders' Equity	$ 600.2	$977.3

See accompanying Notes to Consolidated Financial Statements

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Years Ended		
	July 3, 2009	June 27, 2008	June 29, 2007
		(In millions)	
Operating Activities			
Net loss	$(355.0)	$(11.9)	$(21.8)
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	13.8	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	24.3	19.8	14.5
Goodwill impairment charges	279.0	—	—
Trade name impairment charges	32.6	—	—
Noncash share-based compensation expense	2.8	6.4	3.9
Noncash charges for product transition, restructuring and inventory mark-downs	29.3	14.7	—
Acquired in-process research and development	2.4	—	—
Decrease in fair value of warrant liability	(0.6)	(3.3)	(0.6)
Deferred income tax (benefit) expense	16.0	(7.5)	(13.0)
Changes in operating assets and liabilities, net of effects from acquisition:			
Receivables	61.1	(13.7)	(23.8)
Unbilled costs and inventories	(9.6)	15.9	(33.1)
Accounts payable and accrued expenses	(18.7)	1.3	10.1
Advance payments and unearned income	7.2	7.8	12.8
Due to Harris Corporation	(19.9)	0.4	4.6
Other assets and liabilities, net	6.6	(3.8)	(0.4)
Net cash provided by (used in) operating activities	71.3	40.0	(13.1)
Investing Activities			
Cash payments for Telsima acquisition, net of $1.0 million acquisition costs and cash acquired	(4.3)	—	—
Cash acquired from the Stratex acquisition, net of acquisition costs of $12.7 million	—	—	20.4
Purchases of short-term investments	(1.2)	(9.2)	(30.7)
Sales and maturities of short-term investments	4.0	26.6	35.8
Additions of property, plant and equipment	(15.8)	(9.2)	(8.3)
Additions of capitalized software	(5.8)	(10.3)	(2.9)
Net cash (used in) provided by investing activities	(23.1)	(2.1)	14.3
Financing Activities			
Proceeds from issuance of short-term debt	10.0	1.2	10.8
Payments on short-term debt	—	(2.4)	(9.8)
Payments on long-term debt	(9.8)	(10.7)	(5.2)
Payments on long-term capital lease obligation to Harris Corporation and others	(1.3)	(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
Net cash (used in) provided by financing activities	(1.1)	(13.4)	57.3
Effect of exchange rate changes on cash and cash equivalents	(5.3)	1.3	(3.1)
Net increase in cash and cash equivalents	41.8	25.8	55.4
Cash and cash equivalents, beginning of year	95.0	69.2	13.8
Cash and cash equivalents, end of year	$ 136.8	$ 95.0	$ 69.2
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	$ 2.8	$ 2.7	$ 2.0
Income taxes	$ 2.6	$ 2.2	$ 6.6

See accompanying Notes to Consolidated Financial Statements

Annual Report

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	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity
	(In millions, except share amounts)						
Balance as of June 30, 2006	$—	$ —	$ —	$ 245.7	$ $—	$(1.4)	$ 244.3
Net income for the period from July 1, 2006 through January 26, 2007	—	—	—	2.4	—	—	2.4
Net loss for the period from January 27, 2007 through June 29, 2007	—	—	—	—	(24.2)	—	(24.2)
Foreign currency translation	—	—	—	—	—	1.5	1.5
Net unrealized loss on hedging activities	—	—	—	—	—	(0.1)	(0.1)
Comprehensive loss							(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	—	—	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	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
Net loss	—	—	—	—	(355.0)	—	(355.0)
Foreign currency translation	—	—	—	—	—	(8.5)	(8.5)
Net unrealized loss on hedging activities	—	—	—	—	—	(0.1)	(0.1)
Comprehensive loss							(363.6)
Adjustment to capital from Harris Corporation	—	—	0.5	—	—	—	0.5
Employee stock option exercises, net of tax (688 shares)	—	—	—	—	—	—	—
Conversion of 32,913,377 Class B shares to Class A shares	0.3	(0.3)	—	—	—	—	—
Compensatory stock awards (432,978 shares)	—	—	2.8	—	—	—	2.8
Balance as of July 3, 2009	$0.6	$ —	$783.2	$ —	$(391.1)	$(4.8)	$ 387.9

See accompanying Notes to Consolidated Financial Statements

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF JULY 3, 2009 AND JUNE 27, 2008 AND FOR EACH OF THE THREE FISCAL YEARS IN THE PERIOD ENDED JULY 3, 2009

Note A — Nature of Operations and Basis of Presentation

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

Nature of Operations — We design, manufacture and sell a broad range of microwave radios, scalable wireless network solutions and vertical market solutions for use in worldwide wireless and wireline communications networks. Applications include cellular/mobile infrastructure connectivity; WiMAX networks and energy and security solutions; 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. Significant intercompany transactions and accounts have been eliminated.

On February 27, 2009, we completed the acquisition of Telsima Networks, Inc. ("Telsima"), a privately-held company which is a leading developer and provider of WiMAX Forum Certified™ products for use in next-generation broadband wireless networks. These activities are now performed by our International Microwave business segment. As a result of the acquisition, Telsima became a wholly-owned subsidiary of the Company. The results of operations and cash flows of Telsima are included in these consolidated financial statements since February 27, 2009, the date of acquisition. See *Note C — Business Combinations — Acquisition of Telsima and Stratex, Goodwill and Identifiable Intangible Assets* in these Notes to Consolidated Financial Statements for additional information.

We acquired Stratex Networks, Inc. ("Stratex") on January 26, 2007. Accordingly, the results of operations and cash flows of Stratex are included in these consolidated financial statements since the date of acquisition.

From the time we acquired Stratex on January 26, 2007, Harris Corporation ("Harris") owned 32,913,377 shares or 100% of our Class B Common Stock which approximated 56% of the total shares of our common stock. On March 31, 2009, Harris issued a press release announcing that its Board of Directors approved the spin-off to its shareholders of all the shares of Harris Stratex owned by Harris. The spin-off took place in the form of a taxable pro rata stock dividend payable on May 27, 2009 to the Harris stockholders of record on May 13, 2009, the record date for the spin-off dividend. Harris stockholders received approximately 0.24 of a share of Harris Stratex Class A Common Stock for every share of Harris common stock they owned on the record date. The Class B Common Stock automatically converted to Class A Common Stock upon the spin-off event. Following the distribution, only Class A Common Stock of Harris Stratex is outstanding.

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 to Consolidated Financial Statements, 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 in fiscal 2007 for these corporate allocations expenses from Harris. These costs represented approximately 6.1% of the total cost of these allocated services in fiscal 2007. These cost allocations were based primarily on a ratio of our sales to total Harris sales, multiplied by the total headquarters expense of Harris. 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 P — Related Party Transactions with Harris* for a description of our related party transactions with Harris.

Our fiscal year ends on the Friday nearest calendar June 30. This was July 3 for fiscal 2009, June 27 for fiscal 2008 and June 29 for fiscal 2007. Fiscal year 2009 included 53 weeks and fiscal years 2008 and 2007 each included 52 weeks. In these Notes to Consolidated Financial Statements, we refer to our fiscal years as "fiscal 2009," "fiscal 2008" and "fiscal 2007."

Note B — Significant Accounting Policies and New Accounting Pronouncements

Use of Estimates

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

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

Estimates affect significant items, including the following:

- Revenue recognition
- Provision for doubtful accounts
- Inventory 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

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 Consolidated Statements of Operations. We hold cash and cash equivalents at several major financial institutions, which often significantly exceed Federal Deposit Insurance Corporation insured limits. However, a substantial portion of the cash equivalents is invested in prime money market funds which are backed by the securities in the fund. Historically, we have not experienced any losses due to such concentration of credit risk.

Short-Term Investments

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

Our short-term investments are subject to market risk, primarily interest rate and credit risk. These investments are managed by two outside professional managers within investment guidelines approved by our board of directors. 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 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.

Realized gains and losses on short-term investments are recorded in selling and administrative expenses. 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 in fiscal 2009, 2008 and 2007 were not significant. See *Note D — Fair Value Measurements of Financial Assets and Financial Liabilities* for additional information.

Accounts Receivable, Major Customers and Other Significant Concentrations

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

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

To accommodate requests from our customers for extended payment terms, we often accept letters of credit with payment terms of up to one year or more with the intent to discount these letters of credit with various financial institutions. Under these arrangements, collection risk is fully transferred to the financial institutions. The cost of discounting these letters of credit is recorded as interest expense. During fiscal 2009 and 2008 we discounted customer letters of credit totaling $84.7 million and $65.1 million and recorded related interest expense of $1.0 million and $0.2 million.

During fiscal 2009 and 2008, we had one International Microwave segment customer in Africa (Mobile Telephone Networks or MTN) that accounted for 17% and 13% of our total revenue. As of July 3, 2009 and June 27, 2008, MTN accounted for approximately 6% and 13% of our accounts receivable. In fiscal 2007, no customers accounted for more than 10% of our total revenue.

Financial instruments that potentially subject us to a concentration of credit risk consist principally of short-term investments, 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 and short-term investments 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 estimated market value based upon assumptions about future demand and charged to the provision for inventory, which is a component of cost of sales. At the point of the loss recognition, a new, lower-cost basis for that inventory is established, and any subsequent improvements in facts and circumstances do not result in the restoration or increase in that newly established cost basis. See *Note F — Inventories* for additional information.

Income Taxes and Related Uncertainties

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

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

Our determination of our valuation allowance is based upon a number of assumptions, judgments, and estimates, including forecasted earnings, future taxable income, and the relative proportions of revenue and income before taxes in the various domestic and international jurisdictions in which we operate. To the extent we establish a valuation allowance or change the valuation allowance in a period, we reflect the change with a corresponding increase or decrease to our tax provision in our Consolidated Statements of Operations or to goodwill or intangible assets to the extent that the valuation allowance related to tax attributes of the acquired entities.

Effective June 30, 2007, we began using minimum recognition thresholds to establish tax positions to be recognized in the financial statements. We use a two-step process to determine the amount of tax benefit to be recognized. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as this requires us to determine the probability of various possible outcomes. We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision in the period.

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 O — *Income Taxes*, for additional information.

Property, Plant and Equipment

During the fourth quarter of fiscal 2009, we reviewed the estimated useful lives of our property, plant and equipment. As a result of this review, we shortened the remaining useful lives of certain machinery and equipment and depreciation and amortization expense increased by $0.5 million during fiscal 2009. This change in estimate of the remaining useful lives of this machinery and equipment will increase depreciation and amortization expense by $1.7 million and $0.4 million during fiscal 2010 and 2011.

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

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

Capitalized Software

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

Amortization is calculated on a product-by-product basis as the greater of the amount computed using (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 is compared to the net realizable value of that product. If an amount of unamortized capitalized costs of a computer software product is found to exceed the net realizable value of that asset, such amount will be written off. The net realizable value is the estimated future gross revenue from that product reduced by the estimated future costs of completing and deploying that product, including the costs of performing maintenance and customer support required to satisfy our responsibility set forth at the time of sale.

Total amortization expense related to capitalized software was $3.4 million in fiscal 2009, $2.9 million in fiscal 2008 and $2.3 million in fiscal 2007.

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

We account for our business combinations using the purchase method of accounting which means we record the assets acquired and liabilities assumed at their respective fair values at the date of acquisition, with any excess purchase price recorded as goodwill. Valuation of intangible assets and in-process research and development requires significant estimates and assumptions including, but not limited to, determining the timing and expected costs to complete development projects, estimating future cash flows from product sales, developing appropriate discount rates, estimating probability rates for the successful completion of development projects, continuation of customer relationships and renewal of customer contracts, and approximating the useful lives of the intangible assets acquired.

Intangible assets with an indefinite life are not amortized until their life is determined to be finite, and all other intangible assets must be amortized over their estimated useful lives. We amortize our acquired intangible assets with definite lives over periods ranging from less than one to ten years. Upon acquisition, the Stratex trade name intangible asset was deemed to have an indefinite life.

Goodwill and intangible assets deemed to have indefinite lives are not amortized but instead are tested for impairment at the reporting unit level at least annually 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 value of our assets and liabilities which could lead to an impairment charge for any of our intangible assets or goodwill. The value of our indefinite lived intangible assets and goodwill could also be impacted by future adverse changes such as: (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 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 is tested for impairment annually during the fourth quarter of our fiscal year using a two-step process. First, we determine if the carrying amount of any of our reporting units exceeds its fair value (determined using an analysis of a combination of projected discounted cash flows and market multiples based on revenue and earnings before interest, taxes, depreciation and amortization), which would indicate a potential impairment associated with that reporting unit. If we determine that a potential impairment exists, we then compare the implied fair value associated with the respective reporting unit, to its carrying amount to determine if there is an impairment loss.

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

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.

The majority of our goodwill and the trade name “Stratex” were recorded in connection with the acquisition of Stratex Networks, Inc. (“Stratex”) in January 2007 and were included in the International Microwave segment of our business. In January 2009, we determined that based on the current global economic environment and the decline of our market capitalization, it was likely that an indicator of goodwill impairment existed as of the end of the second quarter of fiscal 2009. As a result, we performed an interim review for impairment as of the end of the second quarter of fiscal 2009 of our goodwill and other indefinite-lived intangible assets (consisting solely of the trade name “Stratex”).

To test for potential impairment of our goodwill, we determined the fair value of each of our reporting segments based on projected discounted cash flows and market-based multiples applied to sales and earnings. The results indicated an impairment to goodwill, because the current carrying value of the North America Microwave and International Microwave segments exceeded their fair value. We then allocated these fair values to the respective underlying assets and liabilities to determine the implied fair value of goodwill, resulting in a $279.0 million charge to write down all of our goodwill. We determined the fair value of the trade name “Stratex” by performing a projected discounted cash flow analysis based on the relief-from-royalty approach, resulting in a $22.0 million charge to write down the trade name “Stratex” to $11.0 million as of April 3, 2009, the end of our third quarter in fiscal 2009.

During June 2009, subsequent to the May 27, 2009 spin-off by Harris of its majority interest or 56 percent of our common stock, Harris notified us of its intent to terminate the trademark license in effect between us since January 26, 2007. The new name of our Company will not include Harris or Stratex. Accordingly, the fair value of the indefinite-lived trade name “Stratex” was deemed to be impaired. Furthermore, we anticipate making this change by December 2009, which is an expected definite life of six months from July 3, 2009, the end of our fiscal year 2009. As a result, we determined the fair value of the trade name “Stratex” as of July 3, 2009 by performing a projected discounted cash flow analysis based on the relief-from-royalty approach, resulting in a $10.6 million charge to write down a majority of the trade name "Stratex" to a fair value of $0.4 million with a six-month remaining life.

We will not be required to make any current or future cash expenditures as a result of these impairments, and these impairments do not impact our financial covenant compliance under our credit arrangements or our ongoing financial performance. We did not record any impairment losses on identifiable intangible assets or goodwill in fiscal 2008 or 2007. *Note C — Business Combinations — Acquisition of Telsima and Stratex, Goodwill and Identifiable Intangible Assets* for additional information.

During the third quarter of fiscal 2009, we recorded a $2.9 million write-down of software developed for internal use and a $7.2 million write-down of machinery and equipment related to our product transitioning activities. We also recorded a $2.4 million impairment of a building used in manufacturing that we classified as property held for sale. See *Note G — Property, Plant and Equipment* for additional information.

During fiscal 2008, we recorded impairment losses on property, plant and equipment totaling $1.3 million. See *Note P — 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 July 3, 2009 or as of June 27, 2008. "Other accrued items" on our Consolidated Balance Sheets primarily includes accruals for sales commissions, warranties and severance. No current assets other than those already disclosed on the consolidated balance sheets exceed 5% of our total current assets as of July 3, 2009 or as of June 27, 2008. No assets within the caption "Other assets" on the Consolidated Balance Sheets exceed 5% of total assets as of July 3, 2009 or as of June 27, 2008.

Warranties

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

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

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

Our software license agreements generally include certain provisions for indemnifying customers against liabilities should our software products infringe a third party's intellectual property rights. As of July 3, 2009, we had not incurred any material costs as a result of such indemnification and have not accrued any liabilities related to such obligations in our consolidated financial statements. See *Note I — Accrued Warranties* for additional information.

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 capital lease agreement to accommodate this use.

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 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 have an obligation for outstanding warrants classified as a liability on our Consolidated Balance Sheet. 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, the warrants are recorded as a liability at fair value, with subsequent changes in fair value recorded as income or expense as part of our Selling and administrative expenses 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 D — Fair Value Measurements of Financial Assets and Financial Liabilities* for additional information.

Contingent Liabilities

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

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

Foreign Currency Translation

The functional currency of our subsidiaries located in the United Kingdom, Singapore, Mexico 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 are included in "Cost of product sales and services" in the accompanying Consolidated Statements of Operations. Net foreign exchange (losses) gains recorded in our Consolidated Statements of Operations during fiscal 2009, 2008 and 2007 totaled $(7.4) million, $(1.3) million and $0.5 million.

Retirement Benefits

As of July 3, 2009, 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 the 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.

Contributions to retirement plans are expensed as incurred. Retirement plan expense amounted to $2.7 million, $3.8 million and $5.4 million in fiscal 2009, 2008 and 2007.

Financial Guarantees, Commercial Commitments and Indemnifications

Guarantees issued by banks, insurance companies or other financial institutions are contingent commitments issued to guarantee our performance under borrowing arrangements, such as bank overdraft facilities, tax and customs obligations and similar transactions or to ensure our performance under customer or vendor contracts. The terms of the guarantees are generally equal to the remaining term of the related debt or other obligations and are generally limited to two years or less. As of July 3, 2009, we had no guarantees applicable to our debt arrangements. We have entered into commercial commitments in the normal course of business including surety bonds, standby letters of credit agreements and other arrangements with financial institutions primarily relating to the guarantee of future performance on certain contracts to provide products and services to customers. As of July 3, 2009, we had commercial commitments of $99.8 million outstanding, none of which are accrued for in our consolidated balance sheets.

Under the terms of substantially all of our license agreements, we have agreed to defend and pay any final judgment against our customers arising from claims against such customers that our software products infringe the intellectual property rights of a third party. To date: we have not received any notice that any customer is subject to an infringement claim arising from the use of our software products; we have not received any request to defend any customers from infringement claims arising from the use of our software products; and we have not paid any final judgment on behalf of any customer related to an infringement claim arising from the use of our software products. Because the outcome of infringement disputes are related to the specific facts in each case, and given the lack of previous or current indemnification claims, we cannot estimate the maximum amount of potential future payments, if any, related to our indemnification provisions. As of July 3, 2009, 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.

Revenue Recognition

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

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

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

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

Cost of Product Sales and Services

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

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

Presentation of Taxes Collected from Customers and Remitted to Government Authorities

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

Share-Based Compensation

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

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

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

We estimate forfeitures at the time of grant and revise, if necessary, in subsequent periods if actual forfeitures differ significantly from initial estimates. Forfeitures were estimated based on the historical experience at Stratex for those options assumed, and on the historical experience at Harris prior to the acquisition of Stratex. 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 at least annually on a grant by grant basis.

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

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 using the two class method. 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 four of the eight 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. 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.

Subsequent to May 27, 2009, Class B Common Stock converted automatically into shares of Class A Common Stock, which is now our only outstanding class of stock.

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 2009, 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 record a liability for costs associated with an exit or disposal activity when the liability is incurred. We also record (i) liabilities associated with exit and disposal activities measured at fair value; (ii) expenses for one-time termination benefits at the date the entity notifies the employee, unless the employee must provide future service, in which case the benefits are expensed ratably over the future service period; and (iii) liabilities related to an operating lease/contract at fair value and measured when the contract does not have any future economic benefit to the entity (i.e., the entity ceases to utilize the rights conveyed by the contract). We expense all other costs related to an exit or disposal activity as incurred. We record severance benefits provided as part of restructurings as part of an ongoing benefit arrangement, and accrue a liability for expected severance costs. Restructuring liabilities and the liability for expected severance costs are shown as "Restructuring liabilities" in current and long-term liabilities on our Consolidated Balance Sheets and the related costs are reflected as operating expenses in the Consolidated Statements of Operations. See *Note K — Restructuring Activities* for additional information.

Research and Development Costs

Our company-sponsored research and development costs, which include costs in connection with new product development, improvement of existing products, process improvement, and product use technologies, are charged to operations in the period in which they are incurred. 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 2009, 2008 or 2007.

Segment Information

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 (the "CODM"). Resources are allocated to each of these segments using information based primarily on their operating income (loss). Operating income (loss) is defined as revenue less cost of product sales and services, engineering, selling and administrative expenses, restructuring charges, acquired in-process research and development, and amortization of identifiable intangible assets. General corporate expenses are allocated to the North America 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. See *Note N — Business Segments* for additional information.

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

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 FASB Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("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. We adopted Statement 161 during the third quarter of fiscal 2009 (see Note R). The adoption of Statement 161 did not have an impact on our consolidated results of operations or financial position.

Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (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. In February 2008, the FASB issued FASB Staff Position ("FSP") No. FAS 157-2, "Effective Date of FASB Statement No. 157" ("FSP FAS 157-2"), which defers the effective date of Statement 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008, which for us is our fiscal 2010. We adopted Statement 157 in the first quarter of fiscal 2009 and there was no impact to our financial position, results of operations or cash flows. In accordance with FSP FAS 157-2, we elected to defer until fiscal 2010 the adoption of Statement 157 for nonfinancial assets (including items such as goodwill and other intangible assets) and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We do not currently anticipate that the adoption of Statement 157 for nonfinancial assets and nonfinancial liabilities will materially impact our financial position, results of operations or cash flows. See *Note E — Fair Value Measurements of Financial Assets and Financial Liabilities* for disclosures.

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. We adopted Statement 159 in the first quarter of fiscal 2009 but have not elected the fair value option for any eligible financial instruments.

Disclosure of Subsequent Events

In May 2009, the FASB issued Statement of Financial Accounting Standards No. 165, "Subsequent Events" ("Statement 165"). Statement 165 is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued, in the case of public entities. Specifically, Statement 165 sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. Statement 165 is effective for interim or annual reporting periods ending after June 15, 2009, which for us is fiscal 2009 (our current fiscal year, which ended July 3, 2009). We adopted Statement 165 in the fourth quarter of fiscal 2009, and have evaluated any subsequent events through the date of filing of this Annual Report on Form 10-K. The adoption of Statement 165 did not impact our financial position, results of operations or cash flows.

Standards, Interpretations and Amendments Issued, but not yet Adopted

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 is 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 on, or subsequent to, that date.

On April 1, 2009, the FASB issued FSP No. FAS 141R-1, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies" ("FSP FAS 141R-1"). Under FSP FAS 141R-1, assets and liabilities arising from contingencies in a business combination are to be recognized at fair value at the acquisition date if the acquisition-date fair value can be determined during the measurement period. In cases where acquisition-date fair values cannot be determined during the measurement period, an asset or liability shall be recognized at the acquisition date at amounts based on guidance in FASB Statement No. 5, "Accounting for Contingencies" and FASB Interpretation No. 14, "Reasonable Estimation of the Amount of a Loss" if certain other criteria are met. FSP FAS 141R-1 also expands the disclosure requirements of Statement 141R to provide additional information about business combination-related contingencies in footnotes describing business combinations. FSP FAS 141R-1 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, which for us is 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 may have a significant effect on the accounting for any acquisitions we make on, or subsequent to, that date.

Disclosures about Fair Value of Financial Instruments

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP FAS 107-1"). FSP FAS 107-1 extends the annual disclosure requirements of Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments" ("Statement 107") to interim reporting periods. Statement 107 requires disclosures of the fair value of all financial instruments (whether recognized or not in the statement of financial position), except for those specifically listed in paragraph 8 of Statement 107, when practicable to do so. In addition, FSP FAS 107-1 requires fair value information disclosed in the notes to financial statements to be presented together with the related carrying amount of the financial instruments in a form that clearly distinguishes between assets and liabilities and indicates how the carrying amounts relate to what is reported on the statement of financial position. An entity must also disclose the methods and significant assumptions used to estimate the fair value of the financial instruments and describe any changes in these methods and significant assumptions. FSP FAS 107-1 is effective for interim reporting periods ending after June 15, 2009, which for us is the first quarter of our fiscal 2010. We do not currently anticipate that the implementation of FSP FAS 107-1 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 EITF 03-6-1"). FSP EITF 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 EITF 03-6-1 also includes guidance on allocating earnings pursuant to the two-class method. FSP EITF 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 do not currently anticipate that the implementation of FSP EITF 03-6-1 will materially impact our financial position, results of operations or cash flows.

Useful Life of Intangible Assets

In April 2008, the FASB issued FSP No. FAS 142-3, "Determining the Useful Life of Intangible Assets" ("FSP FAS 142-3"). FSP FAS 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 FASB Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("Statement 142"). FSP FAS 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 FAS 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 FAS 142-3 also requires incremental disclosures for renewable intangible assets. FSP FAS 142-3 is effective for fiscal years beginning after December 15, 2008, which for us is our fiscal 2010. FSP FAS 142-3 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 C — Business Combinations — Acquisition of Telsima and Stratex, Goodwill and Identifiable Intangible Assets

On March 2, 2009, we announced that we closed the acquisition (the "Telsima Acquisition") of Telsima Corporation ("Telsima") of Sunnyvale, California. Telsima is a leading developer and provider of WiMAX Forum Certified™ products for use in next generation broadband wireless networks. The Telsima Acquisition closed on February 27, 2009 and was consummated pursuant to an Agreement and Plan of Merger, dated February 27, 2009 (the "Merger Agreement"), by and among Harris Stratex Networks Operating Corporation, a wholly-owned subsidiary of the Company ("HSNOC"), Eagle Networks Merger Corporation, a wholly-owned subsidiary of HSNOC ("Merger Sub"), Telsima and the Holder Representative party thereto. The Merger Agreement provided for the acquisition by HSNOC of all of the outstanding equity securities of Telsima for cash through the merger of Merger Sub with and into Telsima. Following such merger, Telsima became a wholly-owned subsidiary of HSNOC.

Under the terms of the Merger Agreement, HSNOC will pay to the stockholders of Telsima a maximum aggregate consideration equal to (i) $12 million minus (ii) $2 million in respect of advances made by us to Telsima prior to the Acquisition, plus (iii) an amount equal to 70% of any amounts collected by us from certain Telsima customers during the period between February 27, 2009 and March 31, 2009.

We completed the Telsima Acquisition to acquire WiMAX™ technology and products for use in next-generation broadband wireless networks and to enhance our ability to expand into new and emerging markets.

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 (consisting 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 Telsima and Stratex acquisitions were accounted for as a purchase business combinations. Total consideration paid by us is summarized in the following table:

Calculation of Allocable Purchase Price	Telsima February 27, 2009	Stratex January 26, 2007
	(In millions)	
Value of Harris Stratex Networks shares issued to stockholders	$ —	$464.9
Cash paid and to be paid for acquisition of shares	12.0	—
Value of vested options assumed	—	15.5
Acquisition costs	1.0	12.7
Total allocable purchase price	$13.0	$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 our assessment of their respective fair values as of the date of acquisition.

Balance Sheet as of the Acquisition Date (In millions)	Telsima	Stratex
	(In millions)	
Cash, cash equivalents and short-term investments	$ 0.6	$ 58.6
Accounts and notes receivable	2.2	39.1
Inventories	1.8	44.2
In-process research and development	2.4	15.3
Identifiable intangible assets	7.6	149.5
Goodwill	3.2	295.0
Property, plant and equipment	2.0	33.0
Other assets	4.0	11.1
Total assets	$23.8	$645.8
Current portion of long-term debt	$ —	$ 11.3
Short-term debt	1.0	—
Capital lease obligations	0.5	—
Accounts payable and accrued expenses	9.3	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
Total liabilities	10.8	152.7
Net assets acquired	$13.0	$493.1

The table below summarizes the allocation of estimated identifiable intangible assets resulting from the Telsima and Stratex acquisitions. For purposes of this allocation, we assessed the fair value of Telsima identifiable intangible assets related to customer contracts, customer relationships, developed technology and trade names based on the net present value of the projected income stream of these identifiable intangible assets. The resulting fair value is being amortized over the estimated useful life of each identifiable intangible asset on a straight-line basis. We estimated the fair value of acquired in-process research and development to be approximately $2.4 million, which we have reflected in "Acquired in-process research and development" expense in the Consolidated Statements of Operations during fiscal 2009. This represents certain technologies under development, primarily related to next generations of the WiMAX™ product line. We estimated that the technologies under development were approximately 50 percent complete at the date of acquisition. We expect to incur up to an additional $7.6 million to complete this development, with completion expected in late calendar year 2009.

With regard to the Stratex acquisition, we assessed the fair value of 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 represented certain technologies under development, primarily related to the next generation of the Eclipse product line.

		Telsima		Stratex	
	Expense Type	Estimated Useful Life (Years)	Amount (In millions)	Estimated Useful Life (Years)	Amount (In millions)
Developed technology	Cost of product sales and services	6	$6.9	10	$ 70.1
Stratex trade name	Selling and administrative		—	Indefinite	33.0
Other trade names	Selling and administrative	1	0.1	5	11.4
Customer relationships	Selling and administrative	7	0.6	4 to 10	28.8
Contract backlog	Selling and administrative		—	0.4	4.3
Non-competition agreements	Selling and administrative		—	1	1.9
			$7.6		$149.5

The Telsima Acquisition has been accounted for under the purchase method of accounting. Accordingly, the Telsima results of operations have been included in the Consolidated Statements of Operations and Cash Flows since the acquisition date of February 27, 2009 and are included almost entirely in our International Microwave segment. The purchase price allocation is preliminary and until February 26, 2010, additional information could come to our attention that may require us to further revise the purchase price allocation in connection with the Telsima Acquisition. The excess of the purchase price over the fair value of the identifiable tangible and intangible net assets acquired was assigned to goodwill. The goodwill resulting from the acquisition was associated primarily with the Telsima market presence and leading position, its growth opportunity in the markets in which it operated and its experienced work force.

Goodwill is not amortized but will be tested for impairment at least annually. The goodwill resulting from the Telsima Acquisition is deductible for tax purposes. The write-off of in-process research and development noted in the above table was included in our Consolidated Statement of Operations during fiscal 2009. We obtained the assistance of an independent valuation specialist to assist us in determining the allocation of the purchase price for the Telsima and Stratex acquisitions.

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.

During fiscal 2009, we recorded impairment charges of $279.0 million for goodwill and $32.6 million for the Stratex trade name. We have not recorded any impairment losses on identifiable intangible assets with definite lives in fiscal 2009, 2008 or 2007.

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 and Telsima acquisitions.

Pro Forma Results

The following summary, prepared on a pro forma basis, presents unaudited consolidated results of operations as if Telsima had been acquired as of the beginning of each of the periods presented, after including the impact of adjustments such as amortization of intangibles and the related income tax effects. This pro forma presentation does not include any impact of acquisition synergies.

	2009	2008
	(In millions, except per share data)	
Revenue from product sales and services — as reported	$ 679.9	$718.4
Revenue from product sales and services — pro forma	$ 698.9	$728.8
Net loss — as reported	$(355.0)	$(11.9)
Net loss — pro forma	$(380.3)	$(49.5)
Net loss per diluted common share — as reported	$ (6.05)	$(0.20)
Net loss per diluted common share — pro forma	$ (6.48)	$(0.85)

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

Summary of Goodwill

Goodwill on the consolidated balance sheets in our North America Microwave and International Microwave segments totaled $3.2 million and $284.2 million as of the end of fiscal 2009 and 2008. There was no goodwill in our Network Operations segment. Changes in the carrying amount of goodwill for fiscal 2009 and 2008 by segment were as follows:

	2009			2008		
	North America	International	Total	North America	International	Total
			(In millions)			
Balance as of the beginning of fiscal year	$ 36.2	$ 248.0	$ 284.2	$ 1.9	$322.8	$324.7
Goodwill from the Telsima acquisition	—	3.2	3.2	—	—	—
Reduction of deferred tax liabilities and other adjustments established in purchase accounting	—	—	—	—	(41.9)	(41.9)
Reclassification of Stratex goodwill	—	—	—	34.3	(34.3)	—
Impairment charges	(31.8)	(247.2)	(279.0)	—	—	—
Translation adjustments related to acquisitions in prior years	(4.4)	(0.8)	(5.2)	—	1.4	1.4
	$ —	$ 3.2	$ 3.2	$36.2	$248.0	$284.2

Summary of Identifiable Intangible Assets

In addition to the identifiable intangible assets from the Telsima and Stratex acquisitions, 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 two to 17 years. A summary of all of our identifiable intangible assets is presented below:

	Developed Technology	Tradenames	Customer Relationships	Contract Backlog	Non-Compete Agreements	Total Identifiable Intangible Assets
			(In millions)			
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
Less: amortization expense fiscal 2007	(4.1)	(1.0)	(1.4)	(4.3)	(0.8)	(11.6)
Foreign currency translation fiscal 2007	0.2	—	—	—	—	0.2
Net identifiable intangible assets as of June 29, 2007	72.6	43.4	27.4	—	1.1	144.5
Less: amortization expense fiscal 2008	(7.9)	(2.2)	(3.3)	—	(1.1)	(14.5)
Foreign currency translation fiscal 2008	0.1	—	—	—	—	0.1
Net identifiable intangible assets as of June 27, 2008	64.8	41.2	24.1	—	—	130.1
Add: acquired fair value of Telsima identifiable intangible assets	6.9	0.1	0.6	—	—	7.6
Less: amortization expense fiscal 2009	(8.1)	(2.3)	(3.3)	—	—	(13.7)
Impairment charge fiscal 2009	—	(32.6)	—	—	—	(32.6)
Tax adjustments related to valuation allowance	(3.8)	(3.0)	—	—	—	(6.8)
Foreign currency translation fiscal 2009	(0.5)	—	—	—	—	(0.5)
Net identifiable intangible assets as of July 3, 2009	$ 59.3	$ 3.4	$21.4	$ —	$ —	$ 84.1
Gross identifiable intangible assets as of July 3, 2009	$ 87.9	$ 11.9	$29.3	$ —	$ —	$129.1
Less accumulated amortization	(28.6)	(8.5)	(7.9)	—	—	(45.0)
Net identifiable intangible assets as of July 3, 2009	$ 59.3	$ 3.4	$21.4	$ —	$ —	$ 84.1
Amortization expense fiscal 2009	8.1	2.3	3.3	—	—	13.7
Amortization expense fiscal 2008	7.9	2.2	3.3	—	1.1	14.5
Amortization expense fiscal 2007	4.1	1.0	1.4	4.3	0.8	11.6
Weighted Average Estimated Useful Life (in years)	7.3	2.5	7.3	—	—	

At July 3, 2009, we estimate our future amortization of identifiable intangible assets with definite lives by year as follows:

	Years Ending in June (In millions)
2010	$13.8
2011	13.0
2012	11.9
2013	10.6
2014	10.4
Thereafter	24.4
	$84.1

Note D — Fair Value Measurements of Financial Assets and Financial Liabilities

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

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

The following table represents the fair value hierarchy of our financial assets and liabilities measured at fair value on a recurring basis (at least annually) as of July 3, 2009:

	Level 1	Level 2	Level 3	Total
		(In millions)		
Financial Assets:				
Short-term investments	$0.3	$ —	$—	$0.3
Foreign exchange forward contracts	—	1.1	—	1.1
Financial Liabilities:				
Foreign exchange forward contracts	—	0.9	—	0.9
Warrants	—	—	—	—

The following table sets forth our financial instruments carried at fair value as of July 3, 2009.

	July 3, 2009
	(In millions)
Financial Assets:	
Short-term investments	$0.3
Foreign exchange forward contracts	1.1
Total financial assets	$1.4
Financial Liabilities:	
Foreign exchange forward contracts	$0.9
Warrants	0.0
Total financial liabilities	$0.9

As of July 3, 2009, we had warrants outstanding to purchase shares of our Class A Common Stock. Our liability for warrants is classified as a Level 3 financial liability. As of July 3, 2009, warrants to purchase 520,445 shares of our Class A Common Stock were outstanding. These warrants have an exercise price of $11.80 per common share and will expire on September 24, 2009. The per share fair value of each warrant was $0.06 and $1.15 as of July 3, 2009 and June 27, 2008, determined based on the Black-Scholes-Merton model with the assumptions listed in the table below.

	July 3, 2009	June 27, 2008
Dividend yield	0.0%	0.0%
Expected volatility	79.8%	58.9%
Risk-free interest rate	0.17%	2.31%
Expected holding period	0.23 year	0.67 year

As a result of recording these outstanding warrants at fair value as of July 3, 2009, we recorded the change in fair value during fiscal 2009, 2008 and 2007 as a reduction of $0.6 million, $3.3 million and $0.6 million to selling and administrative expenses on our Consolidated Statements of Operations. During fiscal 2009 and 2008, no warrants were exercised. During fiscal 2007, warrants to purchase 18,750 shares of our Class A Common Stock were exercised with total proceeds to us of $0.2 million.

The following table sets a summary of changes in the fair value of our Level 3 financial liabilities (warrants) during fiscal 2009:

	(In millions)
Balance as of June 27, 2008	$ 0.6
Transfers during the period	—
Repurchases during the period	—
Realized gains (losses) during the period	—
Unrealized gain during the period	(0.6)
Balance as of July 3, 2009	$ —

Short-term investments as of July 3, 2009 and June 27, 2008 are as follows:

	July 3, 2009			
	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Market Value
	(In millions)			
Certificates of deposit	$ —	$—	$—	$ —
Commercial paper	—	—	—	—
Corporate notes	0.3	—	—	0.3
Total short-term investments	$0.3	$—	$—	$0.3

	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
Total short-term investments	$3.1	$—	$—	$3.1

As of July 3, 2009, our short-term investment has a maturity date of July 15, 2009. Realized gains and losses from the sale of short-term investments during fiscal 2009, 2008 and 2007 were not significant.

Note E — Receivables

Our receivables are summarized below:

	July 3, 2009	June 27, 2008
	(In millions)	
Accounts receivable	$163.1	$205.5
Notes receivable due within one year — net	6.8	6.8
	169.9	212.3
Less allowances for collection losses	(27.0)	(12.6)
	$142.9	$199.7

During fiscal 2009, the net increase to our allowance for collection losses was $14.4 million. This net increase primarily consisted of an increase of $9.9 million from changes in customer status during the global recession and the downturn in the macro-economic environment and an increase of $6.4 million from the Telsima acquisition. We decreased the allowance for collection losses by $1.8 million for write-offs of accounts determined to be uncollectible.

Note F — Inventories

Our inventories are summarized below:

	July 3, 2009	June 27, 2008
	(In millions)	
Finished products	$ 69.9	$ 55.5
Work in process	13.6	14.4
Raw materials and supplies	65.0	59.2
	148.5	129.1
Inventory reserves	(49.9)	(35.6)
	$ 98.6	$ 93.5

During fiscal 2009, we increased our net inventory reserves by $14.3 million primarily due to inventory markdowns as a result of product transitioning and product discontinuance. During the third quarter of fiscal 2009, we also recorded $3.4 million included in "Charges for product transition" on the Consolidated Statement of Operations for estimated losses on future inventory purchase commitments.

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 G — Property, Plant and Equipment

Our property, plant and equipment are summarized below:

	July 3, 2009	June 27, 2008
	(In millions)	
Land	$ 1.2	$ 1.3
Buildings	21.5	29.1
Software developed for internal use	11.6	13.9
Machinery and equipment	94.8	121.6
	129.1	165.9
Less allowances for depreciation and amortization	(71.7)	(90.3)
	$ 57.4	$ 75.6

During fiscal 2009, we recorded a $3.2 million write-down of software developed for internal use and a $7.2 million write-down of machinery and equipment related to our product transitioning activities. We also recorded a $2.4 million impairment of a building used in manufacturing that we classified as property held for sale. During fiscal 2009, the cost of property, plant and equipment decreased $36.8 million. This decrease resulted primarily from write-downs and impairments with a total cost basis of $54.5 million, partially offset by $18.4 million of capital expenditures.

Depreciation and amortization expense related to plant and equipment, including software developed for internal use amortization, was $20.5 million, $16.9 million and $14.5 million in fiscal 2009, 2008 and 2007.

Note H — Credit Facility and Debt

Our debt consisted of the following as of July 3, 2009 and June 27, 2008:

	July 3, 2009	June 27, 2008
	(In millions)	
Long-term borrowings	$ —	$ 8.8
Short-term borrowings	10.0	—
Total	10.0	8.8
Less short-term borrowings and current portion of long-term debt	(10.0)	(5.0)
Long-term debt outstanding	$ —	$ 3.8

As of June 27, 2008, we had a credit facility with Silicon Valley Bank (the "Original Credit Facility") which provided for short-term and long-term borrowings. 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 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. As of July 3, 2009, the amount under standby letters of credit outstanding under the Original Credit Facility totaled $2.7 million.

On June 30, 2008 the Original Credit Facility was terminated and replaced by a new revolving credit facility with Silicon Valley Bank and Bank of America as of that date (the "New Facility"). The outstanding balance of the Original Credit Facility was repaid in full, including all accrued interest, on June 30, 2008 with the proceeds of a $10 million short-term borrowing under the New Facility.

The New Facility provides for an initial committed amount of $70 million with an uncommitted option for an additional $50 million available with the same or additional banks. The initial term of the New Facility is three years and provides for (1) demand borrowings (with no stated maturity date) with an interest rate of the greater of Bank of America's prime rate or the Federal Funds rate plus 0.5%, (2) fixed term Eurodollar loans for up to six months or more as agreed with the banks with an interest rate of LIBOR plus a spread of between 1.25% to 2.00% based on our 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. As of July 3, 2009, we were in compliance with these financial covenants.

The New Facility allows for borrowings of up to $70 million with available credit defined as $70 million less the outstanding balance of short-term borrowings ($10.0 million as of July 3, 2009) and letters of credit ($12.5 million as of July 3, 2009). Available credit as of July 3, 2009 was $47.5 million. The weighted average interest rate on our short-term borrowings was 2.10% as of July 3, 2009.

We have uncommitted short-term lines of credit aggregating $0.4 million from various international banks, all of which was available on July 3, 2009. These lines provide for borrowings at various interest rates, typically may be terminated upon notice, may be used on such terms as mutually agreed to by the banks and us and are reviewed annually for renewal or modification.

Note I — Accrued Warranties

We have accrued for the estimated cost to repair or replace products under warranty at the time of sale. Changes in warranty liability, which is included as a component of other accrued items on the consolidated balance sheets, during the fiscal years ended July 3, 2009 and June 27, 2008, were as follows:

	Fiscal Year Ended	
	July 3, 2009	June 27, 2008
	(In millions)	
Balance as of the beginning of the fiscal year	$ 6.9	$ 6.7
Acquisition of Telsima	0.3	—
Warranty provision for sales made during the fiscal year	4.0	8.5
Settlements made during the fiscal year	(5.7)	(8.4)
Other adjustments to the liability including foreign currency translation during the fiscal year	—	0.1
Balance as of the end of the fiscal year	$ 5.5	$ 6.9

Note J — Redeemable Preference Shares

During fiscal 2007, our Singapore subsidiary issued 8,250 redeemable preference shares to the U.S. parent company which, in turn, sold the shares to two unrelated investment companies at par value for total sale proceeds of $8.25 million. Upon original issuance in fiscal 2007, our former majority shareholder Harris guaranteed redemption of these preference shares directly with these two unrelated investment companies through the existence of put option arrangements. During May 2009, one of these unrelated investment companies exercised a put option with Harris and sold its entire interest in 3,250 redeemable preference shares at face value to Harris. Accordingly, Harris owns this partial interest in our redeemable preference shares outstanding as of July 3, 2009. In view of this transaction occurring within two months of July 3, 2009, and the existence of a put option held by the remaining unrelated investor, we believe the fair value of these redeemable preference approximates the carrying value on our balance sheet as of July 3, 2009.

These redeemable preference shares represent less than a 1% interest in our Singapore subsidiary. The redeemable preference shares have an automatic redemption date of January 2017, which is 10 years from the date of issue. Preference dividends are cumulative and payable quarterly in cash at the rate of 12% per annum. The holders of the redeemable preference shares have liquidation rights in priority of all classes of capital stock of our Singapore subsidiary. The holders of the redeemable preference shares do not have any other participation in, or rights to, our profits, assets or capital shares, and do not have rights to vote as a shareholder of the Singapore subsidiary unless the preference dividend or any part thereof is in arrears and has remained unpaid for at least 12 months after it has been declared. During fiscal 2009, 2008 and 2007, preference dividends totaling $1.0 million, $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 a long-term liability due to the mandatory redemption provision 10 years from issue date.

Our Singapore subsidiary has the right at any time after 5 years from the issue date to redeem, in whole or in part, the redeemable preference shares as follows:

105% of the issue price after 5 years but before 6 years from issue date

104% of the issue price after 6 years but before 7 years from issue date

103% of the issue price after 7 years but before 8 years from issue date

102% of the issue price after 8 years but before 9 years from issue date

101% of the issue price after 9 years but before 10 years from issue date

100% of the issue price at the automatic redemption date of 10 years from issue date

Note K — Restructuring Activities

During the first quarter of fiscal 2009, we announced a new restructuring plan (the "Fiscal 2009 Plan") to reduce our worldwide workforce. During fiscal 2008, Harris Stratex completed its restructuring activities implemented within the merger restructuring plans (the "Fiscal 2007 Plans") approved in connection with the January 26, 2007 merger between the Microwave Communications Division of Harris Corporation and Stratex. These restructuring plans included the consolidation of facilities and operations of the predecessor entities in Canada, France, the U.S., China, Brazil and, to a lesser extent, Mexico, New Zealand and the United Kingdom.

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

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

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

Severance, retention and related charges associated with reduction in force activities totaling $3.4 million ($4.0 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 assumed $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.

The information in the following table summarizes our restructuring activity during the last three fiscal years and the remaining restructuring liability as of July 3, 2009.

	Severance and Benefits	Facilities and Other	Total
		(In millions)	
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
Provision in fiscal 2009 (Fiscal 2009 Plan)	7.9	0.3	8.2
Reversal of accrual in fiscal 2009 to statement of operations for changes in estimates (Fiscal 2007 Plans)	(0.2)	(0.2)	(0.4)
Non-cash charges in fiscal 2009 (Fiscal 2009 Plan)	—	(0.4)	(0.4)
Cash payments in fiscal 2009	(7.0)	(2.9)	(9.9)
Total restructuring liability as of July 3, 2009	$ 2.5	$ 5.3	$ 7.8
Current portion of restructuring liability as of July 3, 2009	$ 2.5	$ 2.8	$ 5.3
Long-term portion of restructuring liability as of July 3, 2009	—	2.5	2.5
Total restructuring liability as of July 3, 2009	$ 2.5	$ 5.3	$ 7.8

We do not anticipate any further restructuring charges under our Fiscal 2009 Plan.

Note L — Accumulated Other Comprehensive (Loss) Income

The changes in components of our accumulated other comprehensive (loss) income during fiscal 2009, 2008 and 2007 are as follows:

	Foreign Currency Translation	Hedging Derivatives	Short-Term Investments	Total Accumulated Other Comprehensive (Loss) Income
		(In millions)		
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
Foreign currency translation	(8.5)	—	—	(8.5)
Net unrealized loss on hedging activities, net of tax	—	(0.1)	—	(0.1)
Balance as of July 3, 2009	$(4.4)	$(0.4)	$—	$(4.8)

Note M — Share-Based Compensation

As of July 3, 2009, 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. 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 3,058,363 as of July 3, 2009. 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 outstanding stock options as of January 26, 2007, as part of the Stratex acquisition. We recognized $1.6 million, $2.8 million and $1.5 million in compensation expense relating to services provided during fiscal 2009, 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 share-based award modifications. 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.

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 $0.1 million, $1.4 million and $1.6 million during fiscal 2009, 2008 and 2007. 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 has not made any further such 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 $2.9 million, $7.8 million and $5.7 million for fiscal 2009, 2008 and 2007. Amounts were included in our Consolidated Statements of Operations as follows:

	2009	2008	2007
		(In millions)	
Cost of product sales and services	$0.3	$ 1.2	$0.3
Research and development expenses	0.7	1.3	2.0
Selling and administrative expenses	1.9	5.3	3.4
Total compensation expense	2.9	7.8	5.7
Less related income tax benefit recognized	—	(0.7)	—
Total net of income tax benefits	$2.9	$ 7.1	$5.7

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. For stock options awarded under our 2007 Stock Equity Plan, we recognized $1.3 million, $1.4 million and $0.5 million of compensation expense during fiscal 2009, 2008 and 2007.

A summary of the significant weighted average assumptions we used in calculating the fair value of our stock option grants during fiscal 2009, 2008 and 2007 is as follows:

Grant Date	2009	2008	2007
Expected dividends	0.0%	0.0%	0.0%
Expected volatility	54.2%	55.6%	62.5%
Risk-free interest rate	2.36%	3.14%	4.56%
Expected term (years)	4.375	4.375	4.375
Stock price on date of grant	$ 5.68	$ 13.68	$ 20.15
Number of stock options granted	1,043,405	20,050	312,200
Fair value per option on date of grant	$ 2.60	$ 6.55	$ 11.47

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A summary of the status of stock options under our 2007 Stock Equity Plan as of July 3, 2009 and changes during fiscal 2009, are as follows:

	Shares	Weighted Average Exercise Price ($)	Weighted Average Grant Date Fair Value ($)	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value ($ in millions)
Stock options outstanding as of June 27, 2008	289,750	19.67	11.23		
Stock options forfeited	(229,978)	12.50	6.68		
Stock options granted	1,043,405	5.68	2.60		
Stock options exercised	—	—	—		
Stock options outstanding as of July 3, 2009	1,103,177	7.94	10.81	6.2	$0.5
Stock options exercisable as of July 3, 2009	132,845	19.70	11.19	4.7	—
Stock options vested and expected to vest as of July 3, 2009(1)	1,048,109	8.04	10.81	6.2	$0.4

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

The aggregate intrinsic value represents the total pre-tax intrinsic value or the aggregate difference between the closing price of our common stock on July 3, 2009 of $6.15 and the exercise price for in-the-money options that would have been received by the optionees if all options had been exercised on July 3, 2009. There was no intrinsic value of options exercised during fiscal 2009 since none were exercised.

A summary of the status of our nonvested stock options as of July 3, 2009 granted under our 2007 Stock Equity Plan and changes during fiscal 2009, are as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested stock options as of June 27, 2008	142,050	$10.90
Stock options granted	1,043,405	$ 2.60
Stock options forfeited or expired	(165,878)	$ 4.83
Stock options vested	(49,245)	$10.77
Nonvested stock options as of July 3, 2009	970,332	$ 3.02

As of July 3, 2009, there was $2.3 million of total unrecognized compensation expense related to nonvested stock options granted under our 2007 Stock Equity Plan. This cost is expected to be recognized over a weighted-average period of 1.1 years. The total fair value of stock options that vested during fiscal 2009, 2008 and 2007 was $0.5 million, $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 three years after grant date. Restricted stock is issued to directors annually and generally vests ratably on a quarterly basis through the annual service period. We recognized $1.0 million, $1.3 million and $0.7 million of compensation expense during fiscal 2009, 2008 and 2007. The fair value of each restricted stock grant is based on the closing price of our Class A Common Stock on the date of grant and is amortized to compensation expense over its vesting period.

A summary of the status of our restricted stock as of July 3, 2009 and changes during fiscal 2009, are as follows:

	Shares	Weighted-Average Grant Date Fair Value
Restricted stock outstanding as of June 27, 2008	144,457	$16.89
Restricted stock granted	98,819	$ 4.25
Restricted stock vested and released	(44,301)	$ 8.35
Restricted stock forfeited	(22,000)	$20.40
Restricted stock outstanding as of July 3, 2009	176,975	$11.53

As of July 3, 2009, there was $1.1 million of total unrecognized compensation expense related to restricted stock awards under our 2007 Stock Equity Plan. This expense is expected to be recognized over a weighted-average period of 0.5 years. The total fair value of restricted stock that vested during fiscal 2009, 2008 and 2007 was $0.4 million, $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 2007 Stock Equity Plan. Vesting of performance share awards under our fiscal 2007 Long-Term Incentive Plan was subject to performance criteria including meeting net income and cash flow targets for the 30-month plan period ended July 3, 2009 and continued employment at the end of that period. During the third quarter of fiscal 2009, we determined that these net income and cash flow targets would not be achieved for performance share awards made under our fiscal year 2007 Long-Term Incentive Plan. Accordingly, these awards did not vest and were forfeited as of July 3, 2009. Accordingly, for these awards, we recorded a credit to compensation expense of $1.6 million during fiscal 2009.

Vesting of performance share awards under our fiscal year 2009 Long-Term Incentive Plan is subject to performance criteria including meeting net income and cash flow targets for the 3-year plan period ending July 1, 2011 and continued employment at the end of that period. For these awards, we estimate that the performance measures will be achieved at target and recognized $0.5 million of expense during fiscal 2009.

The final determination of the number of performance shares vesting in respect of an award will be determined by our Board of Directors, or a committee of our Board.

During fiscal 2009, 2008, and 2007, we recorded compensation expense (credit) of $(1.1) million, 1.2 million and $0.4 million for all performance share awards.

A summary of the status of our performance shares as of July 3, 2009, and changes during fiscal 2009, are as follows:

	Shares	Weighted-Average Grant Date Fair Value
Performance shares outstanding as of June 27, 2008	124,800	$19.80
Performance shares granted	556,111	$ 5.64
Performance shares vested and released	—	
Performance shares forfeited due to target thresholds not achieved	(124,800)	$19.80
Performance shares forfeited due to terminations	(63,602)	$ 5.97
Performance shares outstanding as of July 3, 2009	492,509	$ 5.60

As of July 3, 2009, there was $1.7 million of total unrecognized compensation expense related to performance share awards under our stock incentive plan. This expense is expected to be recognized over a weighted-average period of 2.0 years. The total fair value of performance share awards that vested during fiscal 2008 was $0.2 million, with none in fiscal 2009 and 2007.

Stock Options Assumed in the Stratex Acquisition

A summary of stock option activity for fiscal 2009 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
Stock options outstanding as of June 27, 2008	2,518,464	$23.36		
Stock options forfeited or expired	(823,956)	$18.93		
Stock options exercised	(688)	$ 8.13		
Stock options outstanding as of July 3, 2009	1,693,820	$25.52	2.3	$—
Stock options exercisable as of July 3, 2009	1,685,366	$25.56	2.3	$—
Stock options vested and expected to vest as of July 3, 2009(1)	1,693,537	$25.52	2.3	$—

(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 July 3, 2009 of $6.15 and the exercise price for in-the-money options that would have been received by the optionees if all options had been exercised on July 3, 2009.

The total intrinsic value of options exercised during fiscal 2009 and 2008 was zero and $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 July 3, 2009 and changes during fiscal 2009, are as follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested stock options as of June 27, 2008	159,102	$9.38
Stock options forfeited and expired	(13,911)	$9.45
Stock options vested	(136,737)	$9.39
Nonvested stock options as of July 3, 2009	8,454	$9.07

As of July 3, 2009, there was $0.1 million of total unrecognized compensation cost related to the assumed former Stratex options. This cost is expected to be recognized over a weighted-average period of 0.7 years. The total fair value of stock options assumed in the Stratex acquisition that vested during fiscal 2009, 2008 and 2007 was $1.3 million, $1.5 million and $1.8 million.

Summary of All Harris Stratex Stock Options

The following summarizes all of our stock options outstanding as of July 3, 2009:

	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	1,316,413	4.9	$ 6.32	392,640	$ 7.89
$10.40 - $ 17.96	906,368	2.8	$ 16.77	890,796	$ 16.78
$18.04 - $ 27.76	406,031	3.7	$ 22.74	366,590	$ 22.98
$28.12 - $148.00	168,185	0.9	$114.33	168,185	$114.33
$ 0.91 - $148.00	2,796,997	3.8	$ 18.59	1,818,211	$ 25.14

Note N — Business Segments

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

	2009	2008	2007
		(In millions)	
Revenue			
North America Microwave	$227.0	$232.4	$216.3
International Microwave	438.3	461.7	272.2
Network Operations	14.6	24.3	19.4
Total Revenue	$679.9	$718.4	$507.9

	2009	2008	2007
		(In millions)	
Loss Before Income Taxes			
Segment Operating (Loss) Income:			
North America Microwave(1)	$ (62.7)	$ (9.4)	$ 6.3
International Microwave(2)	(270.8)	(5.7)	(31.3)
Network Operations	(1.8)	1.4	1.3
Corporate allocations expense from Harris	—	—	(3.7)
Net interest expense	(1.9)	(0.2)	(0.5)
Loss before income taxes	$(337.2)	$(13.9)	$(27.9)

(1) The following tables summarize certain charges and expenses included in the North America Microwave segment operating results during fiscal 2009, 2008 and 2007:

	2009	2008	2007
		(In millions)	
Goodwill impairment charges	$31.8	$ —	$ —
Charges for product transition	25.3	—	—
Impairment charges for the trade name "Stratex"	10.7	—	—
Restructuring charges	5.1	4.9	5.1
Software impairment charges	3.2	—	—
Amortization of developed technology, trade names, customer relationships and non-compete agreements	3.0	2.7	1.4
Amortization of the fair value adjustments related to fixed assets	0.6	1.1	0.4
Cost of integration activities undertaken in connection with the merger	—	3.2	2.7
Inventory mark-downs	—	12.9	—
Lease impairment	—	1.8	—
Share-based compensation expense	1.8	7.4	5.7
	$81.5	$34.0	$15.3

(2) The following tables summarize certain charges and expenses included in the International Microwave segment operating results during fiscal 2009, 2008 and 2007:

	2009	2008	2007
		(In millions)	
Goodwill impairment charges	$247.2	$ —	$ —
Impairment charges for the trade name "Stratex"	21.9	—	—
Amortization of developed technology, trade names, customer relationships and non-compete agreements	10.2	11.9	9.1
Charges for product transition	4.5	—	—
Restructuring charges	3.1	2.6	4.2
Acquired in-process research and development	2.4	—	15.3
Amortization of the fair value adjustments related to fixed assets	1.1	1.7	8.6
Cost of integration activities undertaken in connection with the merger	—	6.1	3.6
Inventory mark-downs	—	1.8	—
Share-based compensation expense	1.1	0.4	—
	$291.5	$24.5	$40.8

We report revenue by country based on the location where our customers accept delivery of our products and services. Revenue by country comprising more than 5% of our sales to unaffiliated customers for fiscal 2009, 2008 and 2007 are as follows:

	2009	% of Total	2008	% of Total	2007	% of Total
			(In millions)			
United States	$208.6	30.7%	$192.3	26.8%	$168.7	33.2%
Nigeria	145.9	21.5%	137.6	19.2%	55.4	10.9%
Poland	36.5	5.4%	29.6	4.1%	16.6	3.3%
Canada	9.2	1.4%	32.2	4.5%	39.9	7.8%
Other	279.7	41.0%	326.7	45.4%	227.3	44.8%
Total	$679.9	100.0%	$718.4	100.0%	$507.9	100.0%

Long-lived assets consisted primarily of identifiable intangible assets, goodwill and property, plant and equipment. Long-lived assets by location as of July 3, 2009 and June 27, 2008 are as follows:

	2009	2008
	(In millions)	
United States	$ 60.4	$219.8
Singapore	71.0	237.1
United Kingdom	22.8	12.4
Canada	4.7	32.6
Other countries	5.2	19.6
Total	$164.1	$521.6

Note O — Income Taxes

Loss before provision for (benefit from) income taxes during fiscal 2009, 2008 and 2007 is as follows:

	2009	2008	2007
		(In millions)	
United States	$(188.0)	$(69.9)	$(33.4)
Foreign	(149.2)	56.0	5.5
Total	$(337.2)	$(13.9)	$(27.9)

Provision (benefit) for income taxes for fiscal 2009, 2008 and 2007 are summarized as follows:

	2009	2008	2007
		(In millions)	
Current provision:			
United States	$ —	$ —	$ —
Foreign	1.7	5.5	6.9
State and local	0.1	—	—
Total current provision	1.8	5.5	6.9
Deferred provision (benefit):			
United States	22.1	(16.5)	(11.7)
Foreign	(9.0)	10.8	(0.8)
State and local	2.9	(1.8)	(0.5)
Total deferred provision (benefit)	16.0	(7.5)	(13.0)
	$17.8	$ (2.0)	$ (6.1)

The following table summarizes the significant differences between the U.S. Federal statutory tax rate and our effective tax rate for fiscal 2009, 2008 and 2007:

	2009	2008	2007
		(In millions)	
Statutory U.S. Federal tax rate	(35.0)%	(35.0)%	(35.0)%
U.S. valuation allowances	15.1	113.2	9.0
State and local taxes, net of U.S. Federal tax benefit	(0.8)	(12.9)	(1.9)
Goodwill impairment not deductible	16.3	—	—
Foreign income taxed at rates less than the U.S. statutory rate	7.4	(85.5)	4.2
Other	2.3	5.8	1.8
Effective tax rate	5.3%	(14.4)%	(21.9)%

The components of deferred tax assets and liabilities are as follows:

	July 3, 2009		June 27, 2008	
	Current	Non-Current	Current	Non-Current
	(In millions)			
Deferred tax assets:				
Inventory	$ 18.0	$ —	$ 18.7	$ —
Accruals	3.1	—	5.7	—
Unrealized impairment loss	—	1.2	0.1	1.1
Other reserves and accruals	0.2	0.8	1.9	—
Bad debts	6.1	—	2.6	—
Warranty reserve	2.4	—	2.5	0.2
Deferred costs	—	—	0.5	—
Depreciation	—	4.8	—	2.0
Amortization	—	17.2	—	—
Other foreign	6.0	—	3.0	—
Stock options	—	3.3	—	3.1
Severance and restructuring costs	2.3	—	2.9	5.0
Deferred revenue	—	3.4	—	—
Unrealized exchange gain/loss	1.4	—	—	—
Other	—	1.2	0.3	1.1
Capital loss carryforward	—	5.8	—	7.6
Tax credit carryforwards	—	28.0	—	25.2
Tax loss carryforwards	—	90.2	—	95.0
Total deferred tax assets	39.5	155.9	38.2	140.3
Valuation allowance	(39.5)	(129.4)	(24.2)	(92.7)
Net deferred tax assets	—	26.5	14.0	47.6
Deferred tax liabilities:				
Amortization	—	—	—	1.8
Purchased identifiable intangible assets	—	19.4	—	30.5
Internally developed software	—	—	—	5.3
Unrealized exchange gain/loss	—	—	1.4	—
Total deferred tax liabilities	—	19.4	1.4	37.6
Net deferred tax asset (liability)	$ —	$ 7.1	$ 12.6	$ 10.0

Our consolidated balance sheet as of July 3, 2009 includes a non-current deferred income tax asset of $8.0 million and a non-current deferred tax liability of $0.9 million. This compares to a net 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 as of June 27, 2008. For all jurisdictions for which we have deferred tax assets, we expect that our existing levels of pre-tax earnings are sufficient to generate the amount of future taxable income needed to realize these tax assets. Our valuation allowance related to deferred income taxes, as reflected in our consolidated balance sheet, was $168.9 million as of July 3, 2009 and $116.9 million as of June 27, 2008. The increase in valuation allowance from fiscal 2008 to fiscal 2009 was primarily due to our establishing a valuation allowance on certain 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 basis differences in foreign subsidiaries of $11.7 million and $73.1 million as of July 3, 2009 and June 27, 2008, because of our intention to reinvest these earnings indefinitely. The determination of unrecognized deferred U.S. tax liability for foreign subsidiaries is not practicable. Tax loss and credit carryforwards as of July 3, 2009 have expiration dates ranging between one year and no expiration in certain instances. The amount of U.S. tax loss carryforwards as of July 3, 2009 and June 27, 2008 was $201.2 million and $198.5 million and begin to expire in fiscal 2022. Credit carryforwards as of July 3, 2009 and June 27, 2008 was $27.9 million and $24.8 million and certain credits begin to expire in fiscal 2010. The amount of foreign tax loss carryforwards for July 3, 2009 and June 27, 2008 was $50.5 million and $40.2 million. The utilization of a portion of the U.S. net operating losses created prior to the merger is subject to an annual limitation under Section 382 of the Internal Revenue Code as a result of a change of ownership. Income taxes paid were $2.6 million, $2.2 million and $6.6 million during fiscal 2009, 2008 and 2007.

The effective tax rate in the fiscal year ended July 3, 2009 was impacted unfavorably by a valuation allowance recorded on certain deferred tax assets, certain purchase accounting adjustments and foreign tax credits where it was determined it was not more likely than not that the assets would be realized. The net change in the valuation allowance impacting the effective tax rate during the year ended July 3, 2009 was an increase of $50.8 million.

During the year ended July 3, 2009, certain temporary taxable differences in the amount of $7.2 million were realized. This realization resulted in a reduction of the valuation allowance placed on Stratex acquired deferred tax assets. The reduction of this valuation allowance was recorded against the goodwill and non-current intangible assets acquired in the Stratex acquisition. The reduction of the acquired intangible assets was required after the impairment reduced our goodwill from the Stratex acquisition to zero. The portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be accounted for through the income statement is $56.1 million. For the year ended June 27, 2008, certain temporary taxable differences in the amount of $30.7 million were realized. This realization resulted in a reduction of the valuation allowance placed on Stratex acquired deferred tax assets. The reduction of this valuation allowance was recorded against the goodwill related to the Stratex acquisition. The portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be allocated to reduce goodwill was $63.3 million as of June 27, 2008.

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

We entered into a tax sharing agreement with Harris Corporation effective on January 26, 2007, the date of the merger. The tax sharing agreement addresses, among other things, the settlement process associated with pre-merger tax liabilities and tax attributes that are attributable to the MCD business when it was a division of Harris Corporation. There were no settlement payments recorded in fiscal 2009, 2008 or 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.

As of July 3, 2009 and June 27, 2008, we had a liability for unrecognized tax benefits of $30.9 million and $29.6 million for various federal, foreign, and state income tax matters. Unrecognized tax benefits increased by $1.3 million. If the unrecognized tax benefits associated with these positions are ultimately recognized, they would not be expected to have a material impact on our effective tax rate or financial position.

We account for interest and penalties related to unrecognized tax benefits as part of our provision for federal, foreign, and state income taxes. We did not accrue an additional amount for such interest as of July 3, 2009 and, as of June 27, 2008, we accrued additional interest of less than $0.1 million. No penalties have been accrued.

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

We have a number of years with open tax audits which vary from jurisdiction to jurisdiction. Our major tax jurisdictions include the U.S., Singapore, Poland, Nigeria, France and the U.K. The earliest years still open and subject to ongoing audits for these jurisdictions are as follows: United States — 2003; Singapore — 2006; Poland — 2004; Nigeria — 2004; France — 2006; and U.K. — 2006. As of July 3, 2009, we were not under audit by the U.S. Internal Revenue Service.

Our unrecognized tax benefit activity for fiscal 2009 is as follows (in millions):

Unrecognized tax benefit as of June 27, 2008	$29.6
Additions for tax positions in prior periods	1.5
Decreases for tax positions in prior periods	(0.2)
Unrecognized tax benefit as of July 3, 2009	$30.9

Note P — 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 2009, 2008 and 2007, Harris charged us $5.5 million, $7.0 million and $6.8 million for these services. We intend to continue utilizing select services from Harris and have extended the terms of the Transition Services Agreement.

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 $6.0 million, $3.5 million and $1.9 million in fiscal 2009, 2008 and 2007. We also recognized costs associated with related party purchases from Harris of $3.3 million, $6.1 million and $6.7 million for fiscal 2009, 2008 and 2007.

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.

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 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 $6.3 million and $4.0 million as of July 3, 2009 and June 27, 2008. Total payables to Harris were $3.3 million and $20.8 million as of July 3, 2009 and June 27, 2008.

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 July 3, 2009, our lease obligation to Harris was $1.4 million of which $0.5 million is a current liability and the related asset amount, net of accumulated amortization of $1.4 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 2009 we paid Harris $1.4 million under this capital lease obligation. 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 $1.1 million, $1.8 million and $0.8 million in fiscal 2009, 2008 and 2007. As of July 3, 2009, the future minimum payments for this lease are $0.8 million for fiscal 2010, $0.5 million for fiscal 2011 and $0.2 million for fiscal 2012.

Note Q — 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 2018.

Rental expense for operating leases, including rentals on a month-to-month basis was $11.9 million, $13.6 million and $6.1 million in fiscal 2009, 2008 and 2007.

As of July 3, 2009, 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)
2010	$12.0
2011	8.7
2012	3.7
2013	2.0
2014	1.2
Thereafter	1.3
Total	$28.9

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 R — Risk Management, Derivative Financial Instruments and Hedging Activities

We are exposed to global market risks, including the effect of changes in foreign currency exchange rates, and use derivatives to manage financial exposures that occur in the normal course of business. We do not hold nor issue derivatives for trading purposes.

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

Substantially all derivatives outstanding as of July 3, 2009 are designated as cash flow hedges or non-designated hedges of recorded balance sheet positions. All derivatives are recognized on the balance sheet at their fair value. The total notional amount of outstanding derivatives as of July 3, 2009 was $74.9 million, of which $9.7 million were designated as cash flow hedges and $65.2 million were not designated as cash flow hedging instruments.

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

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

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

	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
		(In millions)		
Derivatives designated as hedging instruments under Statement 133:				
Foreign exchange forward contracts	Other current assets	$0.2	Other current liabilities	$0.0
Derivatives not designated as hedging instruments under Statement 133:				
Foreign exchange forward contracts	Other current assets	$0.9	Other current liabilities	$0.9
Total derivatives		$1.1		$0.9

The following table presents the amounts of gains (losses) from cash flow hedges recorded in Other Comprehensive Income, the amounts transferred from Other Comprehensive Income and recorded in revenue and cost of products sold, and the amounts associated with excluded time value and hedge ineffectiveness during fiscal 2009 (in millions):

Locations of Gains (Losses) Recorded From Derivatives Designated as Cash Flow Hedges Under Statement 133	Amount of Gain (Loss) Recognized on Derivatives Fiscal Year Ended July 3, 2009
Amount of gain of effective hedges recognized in Other Comprehensive Income	$2.6
Amount of gain of effective hedges reclassified from Other Comprehensive Income into:	
Revenue	2.6
Cost of Products Sold	—
Amount of loss recorded into Cost of Products Sold associated with excluded time value	—
Amount of gain (loss) recorded into Cost of Products Sold due to hedge ineffectiveness	—

Refer to Note D — Fair Value Measurements of Financial Assets and Financial Liabilities for a description of how the above financial instruments are valued and Note L — Accumulated Other Comprehensive (Loss) Income and Comprehensive Loss for additional information on changes in other comprehensive (loss) income for the quarter and three quarters ended July 3, 2009.

Cash Flow Hedges

The purpose of our foreign currency hedging activities is to protect us from the risk that the eventual cash flows resulting from transactions in foreign currencies, including revenue, product costs, selling and administrative expenses and intercompany transactions will be adversely affected by changes in exchange rates. It is our policy to utilize derivatives to reduce foreign currency exchange risks where internal netting strategies cannot be effectively employed. As of July 3, 2009, hedged transactions included our customer and intercompany backlog and outstanding purchase commitments denominated in Euros. We hedge up to 100% of anticipated exposures typically one to three months in advance, but have hedged as much as five months in advance. We generally review our exposures twice each month and adjust the amount of derivatives outstanding as needed.

All changes in fair values of outstanding cash flow hedge derivatives, except those associated with excluded time value and hedge ineffectiveness are recorded in the consolidated financial statements and the related gain or loss on the transaction is reflected in net income or loss. In some cases, amounts recorded in other comprehensive income or loss will be released to net income or loss some time after the maturity of the related derivative. The consolidated statement of income classification of effective hedge results is the same as that of the underlying exposure. For example, results of hedges of revenue and product costs are recorded in revenue and cost of external product sales, respectively, when the underlying hedged transaction is recorded.

As of July 3, 2009, $0.3 million of deferred net losses on both outstanding and matured derivatives accumulated in other comprehensive income or loss are expected to be reclassified to net income or loss during the next twelve months as a result of underlying hedged transactions also being recorded in net income or loss. Actual amounts ultimately reclassified to net income or loss are dependent on the exchange rates in effect when derivative contracts that are currently outstanding mature. As of July 3, 2009, the maximum term over which we are hedging cash flow exposures is five months.

We formally assess both at inception and on an ongoing basis, whether the derivatives that are used in the hedging transaction have been highly effective in offsetting changes in the value or cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. We discontinue hedge accounting when the derivative expires or is sold, terminated, or exercised or it is no longer probable that the forecasted transaction will occur. When it is determined that a derivative is not, or has ceased to be, highly effective as a hedge, we discontinue hedge accounting and redesignate the hedge as a non-Statement 133 hedge, if it is still outstanding at the time the determination is made.

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

Non-Designated Hedges

As mentioned above, the total notional amount of outstanding derivatives as of July 3, 2009 not designated as cash flow hedging instruments was $65.2 million. The purpose of these hedges is to offset realized and unrealized foreign exchange gains and losses recorded on non-functional currency monetary assets and liabilities, including primarily cash balances and accounts receivable and accounts payable from third party and intercompany transactions recorded on the balance sheet. Since these gains and losses are considered by us to be operational in nature, we record both the gains and losses from the revaluation of the balance sheet transactions and the gains and losses on the derivatives in cost of products sold. During fiscal 2009, we recorded in cost of products sold the following amount of net gains recorded on non-designated hedges as follows, in millions:

	Fiscal Year Ended July 3, 2009	Location of Gain (Loss) Recognized in Income on Derivatives
Derivatives not designated as hedging instruments:		
Foreign exchange forward contracts	$5.4	Cost of products sold

Credit Risk

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

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

Note S — Legal Proceedings

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

On February 8, 2007, a court order was entered against Stratex do Brasil, a subsidiary of Harris Stratex Networks Operating Company, in Brazil, to enforce performance of an alleged agreement between the former Stratex Networks, Inc. entity and a supplier. We have not determined what, if any, liability this may result in, as the court did not award any damages. We have appealed the decision to enforce the alleged agreement, and do not expect this litigation to have a material adverse effect on our business, operating results or financial condition.

From time to time, 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 T — Quarterly Financial Data (Unaudited)

The following financial information reflects all normal recurring adjustments, which are, in the opinion of management, necessary for a fair statement of the results of the interim periods. Our fiscal quarters end on the Friday nearest the end of the calendar quarter.

During the closing of our fiscal year 2009 accounts, we determined an error occurred in the calculation of our currency translation expense that affected our previously reported Cost of product sales and services in each of the first three quarters of fiscal 2009. The results for fiscal year 2009 include an adjustment for cumulative currency translation expense of $2.9 million included in Cost of product sales and services. This expense related to un-hedged currency exposure on accounts receivables in Polish Zlotych. The quarterly impact of this translation benefit/(expense) credited/(charged) to Cost of product sales and services was a $0.9 million credit or $0.01 increase to income per common share in the first quarter of fiscal 2009; ($3.3 million) charge or increase ($0.06) to loss per common share in the second quarter of fiscal 2009; ($1.1 million) charge or increase ($0.02) to loss per common share in the third quarter of fiscal 2009; $0.6 million credit or $0.01 decrease to loss per common share in the fourth quarter of fiscal 2009.

We have concluded that the impact of this error is not material to the previously filed quarterly reports on Form 10-Q for the quarters ended September 26, 2008, January 2, 2009 and April 3, 2009 and do not plan to file amendments to these previously filed quarterly reports on Form 10-Q for those periods. Instead, we will update the amounts for these fiscal 2009 periods when we file on Form 10-Q for these three quarters during fiscal 2010. The summarized quarterly data presented below reflect the correction of this error. Accordingly, summarized quarterly data for fiscal 2009 and 2008 are as follows:

	1st Quarter 09-26-2008	2nd Quarter 01-02-2009	3rd Quarter 04-03-2009	4th Quarter 07-03-2009
	(In millions, except share amounts)			
Fiscal 2009				
Revenue	$195.8	$ 190.9	$158.0	$135.2
Gross margin	$ 59.1	$ 51.1	$ 16.5	$ 47.7
Income (loss) from operations	$ 7.7	$(294.8)	$ (35.2)	$ (13.0)
Net income (loss)	$ 6.5	$(318.7)	$ (39.4)	$ (3.4)
Per share data(1):				
Basic net income (loss) per share of Class A and Class B Common Stock	$ 0.11	$ (5.43)	$ (0.67)	$ (0.06)
Diluted net income (loss) per share of Class A and Class B Common Stock(2)	$ 0.10	$ (5.43)	$ (0.67)	$ (0.06)
Market price range of one share of Class A Common Stock:				
High	$11.45	$ 7.85	$ 7.24	$ 6.75
Low	$ 6.85	$ 3.26	$ 3.00	$ 3.91

	1st Quarter 09-28-2007	2nd Quarter 12-28-2007	3rd Quarter 03-28-2008	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

(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 first quarter of fiscal 2009 and third quarter of fiscal 2008, the calculations of diluted earnings per share include a potential deduction to net income of $0.2 million and $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 July 3, 2009, we had approximately 5,800 stockholders of record of our Class A Common Stock.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.*

None.

Item 9A. *Controls and Procedures.*

Evaluation of Disclosure Controls and Procedures

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

Management has conducted an evaluation, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, as of July 3, 2009.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, 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.

Based on our assessment, management has concluded that we maintained effective internal control over financial reporting as of July 3, 2009.

The attestation report of Ernst & Young LLP, an independent registered public accounting firm, on our internal control over financial reporting appears on page 59 in this Annual Report.

Remediation of Material Weaknesses in Internal Control over Financial Reporting

Our management report on internal control over financial reporting for the fiscal year ended June 27, 2008 described material weaknesses in our internal control over financial reporting. These material weaknesses continued to exist during the first three quarters of fiscal 2009, during which time we were engaged in the implementation and testing of remedial measures designed to address these material weaknesses. In the fourth quarter of fiscal 2009, we completed testing of the design and operating effectiveness of enhanced controls to demonstrate their operating effectiveness over a period of time sufficient to support our conclusion that, as of July 3, 2009, we had remediated the previously reported material weaknesses in our internal control over financial reporting.

During fiscal 2009, we implemented the following changes in our internal control over financial reporting to address previously reported material weaknesses:

1. Management designed and/or implemented several key initiatives to strengthen our internal control over project cost variances.

- We now generate and review a project work in process exposure report each quarter to ensure work in process is properly relieved of costs.
- We have trained appropriate personnel in the methods of review of the project costs and created a high-level awareness of the importance of more thorough project cost reviews.
- We conduct regular reviews to ensure the timely closing of projects.
- We ensure that project costs are properly reconciled and aged balances are evaluated on a quarterly basis.

2. Management designed and/or implemented several key initiatives to strengthen our process for reconciling balance sheet accounts.

- We accelerated the on-going implementation of software tools to track the account reconciliation process with all major subsidiaries now tracked.
- We instituted procedures to ensure the timely completion of account reconciliations supported by a sub-ledger or other independent documentation or calculation with 100% of key account reconciliations now prepared, reviewed, and approved prior to filing financial statements.
- We dedicated additional resources to ensure timely reviews of account reconciliations and resolution of aged balances and reconciling items.

Changes in Internal Control over Financial Reporting

Our remediation of the material weaknesses described above during the quarter ended July 3, 2009 has materially affected our internal control over financial reporting.

Item 9B. ***Other Information.***

None.

PART III

Certain information required by Part III is omitted from this Annual Report on Form 10-K because we will file a Definitive Proxy Statement with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended July 3, 2009.

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 2009 Annual Meeting of Shareholders to be held on or about November 19, 2009 and is incorporated herein by reference.

Item 11. ***Executive Compensation.***

Information regarding our executive compensation will appear in our definitive Proxy Statement for our 2009 Annual Meeting of Shareholders to be held on or about November 19, 2009 and is incorporated herein by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

Equity Compensation Plan Summary

The following table provides information as of July 3, 2009, 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)	1,857,381	$ 7.94	3,058,363
Equity Compensation plans not approved by security holders(3)	1,693,820	$25.52	—
Total	3,551,201	$18.59	3,058,363

(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 M — Share-Based Compensation" in the Notes to Consolidated Financial Statements included in Item 8.

The other information required by this item will appear in our definitive Proxy Statement for our 2009 Annual Meeting of Shareholders to be held on or about November 19, 2009 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 2009 Annual Meeting of Shareholders to be held on or about November 19, 2009 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 2009 Annual Meeting of Shareholders to be held on or about November 19, 2009 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:

(2) *Financial Statement Schedules:*

All other schedules are omitted because they are not applicable, the amounts are not significant, or the required information is shown in the Consolidated Financial Statements or the Notes thereto.

(3) *Exhibits:*

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

Ex. #	Description
2.1	Amended and Restated Formation, Contribution and Merger Agreement, dated as of December 18, 2006, among Harris Corporation, Stratex Networks, Inc., Harris Stratex Networks, Inc. and Stratex Merger Corp. (incorporated by reference to Appendix A to the proxy statement/prospectus forming a part of the Registration Statement on Form S-4 of Harris Stratex Networks, Inc. filed with the Securities and Exchange Commission on January 3, 2007, File No. 333-137980)
2.2	Letter Agreement, dated as of January 26, 2007, among Harris Corporation, Stratex Networks, Inc., Harris Stratex Networks, Inc. and Stratex Merger Corp. (incorporated by reference to Exhibit 2.1.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
2.3	Agreement and Plan of Merger by and among Harris Stratex Networks Operating Corporation, Eagle Networks Merger Corporation, Telsima Corporation and the Holder Representative dated as of February 27, 2009 (incorporated by reference to Exhibit 2.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on March 6, 2009, File No. 001-33278)
3.1	Amended and Restated Certificate of Incorporation of Harris Stratex Networks, Inc. as filed with the Secretary of State of the State of Delaware on 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 3.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on September 3, 2008, File No. 001-33278)

Ex. #	Description
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)
4.3	Certificate of Designations of Series A Junior Participating Preferred Stock of Harris Stratex Networks, Inc., dated April 20, 2009 (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on April 22, 2009, 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)
10.6.1	Amendment to Transition Services Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated December 12, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended January 2, 2009 filed with the Securities and Exchange Commission on February 10, 2009, File No. 001-33278)
10.7	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	Intentionally omitted.
10.12*	Employment Agreement, effective as of April 8, 2008, between Harris Stratex Networks, Inc. and Harald J. Braun (incorporated by reference to Exhibit 10.15.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 28, 2008 filed with the Securities and Exchange Commission on May 6, 2008, File No. 001-33278)
10.13*	Restated Employment Agreement, dated as of May 14, 2002, by and between Stratex Networks, Inc. and Charles D. Kissner (incorporated by reference to Exhibit 10.7 to the Annual Report on Form 10-K of Stratex Networks, Inc. for the Fiscal Year Ended March 31, 2003 filed with the Securities and Exchange Commission on May 19, 2003, File No. 000-15895)

Ex. #	Description
10.13.1*	Third Amendment to Employment Agreement, dated as of December 15, 2006, by and between Stratex Networks, Inc. and Charles D. Kissner (incorporated by reference to Exhibit 10.29 to Amendment No. 2 to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on December 19, 2006, File No. 333-137980)
10.14*	Standard Form of Executive Employment Agreement between Harris Stratex Networks, Inc. and certain executives (incorporated by reference to Exhibit 10.16 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.15	Form of Indemnification Agreement between Harris Stratex Networks, Inc. and its directors and certain officers (incorporated by reference to Exhibit 10.16 to the Registration Statement on Form S-1 of Stratex Networks, Inc., File No. 33-13431)
10.16	Sublicense Agreement, effective as of January 26, 2007, between Harris Stratex Networks, Inc. and Harris Stratex Networks Operating Corporation (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2007 filed with the Securities and Exchange Commission on August 27, 2007. File No. 001-33278)
10.17*	Harris Stratex Networks, Inc. Annual Incentive Plan (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2008 filed with the Securities and Exchange Commission on September 25, 2008, File No. 001-33278)
10.18*	Harris Stratex Networks, Inc. 2007 Stock Equity Plan (incorporated by reference to Exhibit 4.9 to the Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 5, 2007, File No. 333-140442)
10.19	Credit Agreement between Harris Stratex Networks, Inc., Harris Stratex Networks Operating Corporation, Harris Stratex Networks(S) Pte. Ltd., Bank of America, N.A., Silicon Valley Bank, Banc of America Securities Asia Limited and Banc of America Securities LLC, dated June 30, 2008 (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2008 filed with the Securities and Exchange Commission on September 25, 2008, File No. 001-33278)
10.20	Amended and Restated Loan and Security Agreement between Stratex Networks, Inc. and Silicon Valley Bank, dated January 21, 2004 (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of Stratex Networks, Inc. on January 22, 2004, File No. 000-15895)
10.20.1	Amendment No. 5 to Amended and Restated Loan and Security Agreement between Harris Stratex Networks Operating Corporation, a wholly owned subsidiary of Harris Stratex Networks, Inc. and the successor to Stratex Networks, Inc. and Silicon Valley Bank, dated February 23, 2007 (incorporated herein by reference to Exhibit 10.28.5 to the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2007 filed with the Securities and Exchange Commission on August 27, 2007. File No. 001-33278)
10.21	Rights Agreement, dated as of April 20, 2009, between Harris Stratex Networks, Inc. and Mellon Investor Services LLC, as Rights Agent, which includes the Form of Certificate of Designations of Series A Junior Participating Preferred Stock (Exhibit A), the Form of Right Certificate (Exhibit B) and the Summary of Rights to Purchase Preferred Shares (Exhibit C) (incorporated by reference to Exhibit 4.2 to the Report on Form 8-K filed with the Securities and Exchange Commission on April 22, 2009, File No. 001-33278)
10.22*	Employment Agreement, effective as of May 4, 2009, between Harris Stratex Networks, Inc. and Thomas L. Cronan III (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on May 5, 2009, File No. 001-33278)
10.23*	Employment Agreement, dated as of April 1, 2006, between Harris Stratex Networks, Inc. and Heinz Stumpe (incorporation by reference to Exhibit 10.15.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2007 filed with the Securities and Exchange Commission on May 8, 2007, File No. 001-33278)
10.24*	Employment Agreement, dated as of May 14, 2002, between Stratex Networks, Inc. and Paul Kennard (incorporated by reference to Exhibit 10.1 to the Stratex Networks, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006 filed with the Securities and Exchange Commission on August 9, 2006, File No. 000-15895)

Ex. #	Description
10.24.1*	Amendment A, effective as of April 1, 2006, to Employment Agreement, dated May 14, 2002, between Stratex Networks, Inc. and Paul Kennard (incorporated by reference to Exhibit 10.2 to the Stratex Networks, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006 filed with the Securities and Exchange Commission on August 9, 2006, File No. 000-15895)
10.24.2*	Amendment B, effective as of April 1, 2006, to Employment Agreement, dated May 14, 2002, between Stratex Networks, Inc. and Paul Kennard (incorporated by reference to Exhibit 10.3 to the Stratex Networks, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006 filed with the Securities and Exchange Commission on August 9, 2006, File No. 000-15895)
10.25*	Employment Agreement, dated as of May 14, 2002, between Stratex Networks, Inc. and Shaun McFall
10.25.1*	Amendment, effective April 1, 2006, to Employment Agreement, dated May 14, 2002, between Stratex Networks, Inc. and Shaun McFall
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 3, 2009

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 3, 2009
/s/ Thomas L. Cronan, III Thomas L. Cronan, III	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	September 3, 2009
/s/ J. Russell Mincey J. Russell Mincey	Vice President, Corporate Controller and Principal Accounting Officer (Principal Accounting Officer)	September 3, 2009
/s/ Charles D. Kissner Charles D. Kissner	Chairman of the Board	September 3, 2009
/s/ Eric C. Evans Eric C. Evans	Director	September 3, 2009
/s/ William A. Hasler William A. Hasler	Director	September 3, 2009
/s/ Clifford H. Higgerson Clifford H. Higgerson	Director	September 3, 2009
/s/ Dr. Mohsen Sohi Dr. Mohsen Sohi	Director	September 3, 2009
/s/ James C. Stoffel James C. Stoffel	Director	September 3, 2009
/s/ Edward F. Thompson Edward F. Thompson	Director	September 3, 2009

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS AND RESERVES HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

Years Ended July 3, 2009, June 27, 2008 and June 29, 2007

	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 July 3, 2009	12.6	9.9	—	(4.5)(A)	27.0
Year ended June 27, 2008	8.5	3.7	—	(0.4)(B)	12.6
Year ended June 29, 2007	8.1	1.5	—	1.1(C)	8.5
Inventory reserves:					
Year ended July 3, 2009	35.6	23.1	—	8.8(D)	49.9
Year ended June 27, 2008	14.2	24.6	—	3.2(E)	35.6
Year ended June 29, 2007	18.2	3.2	—	7.2(F)	14.2
Deferred tax asset valuation allowance(H):					
Year ended July 3, 2009	116.9	50.8	1.2(G)	—	168.9
Year ended June 27, 2008	96.9	15.6	4.4(G)	—	116.9
Year ended June 29, 2007	69.2	2.6	25.1(G)	—	96.9
Warranty reserves:			—		
Year ended July 3, 2009	6.9	4.0	—	5.4(I)	5.5
Year ended June 27, 2008	6.7	8.5	—	8.3(J)	6.9
Year ended June 29, 2007	3.9	2.8	—	—(K)	6.7

Note A — Consists of changes to allowance for collection losses of $0.1 million for foreign currency translation losses, $6.4 million in additions from the acquisition of Telsima and $1.8 million for uncollectible accounts charged off, net of recoveries on accounts previously charged off.

Note B — 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 C — 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 D — Consists of additions to inventory reserves of $0.2 million for foreign currency translation losses, $8.6 million in deductions from obsolescence and excess inventory charged off.

Note E — 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 F — Consists of additions to inventory reserves of $7.2 million in deductions from obsolescence and excess inventory charged off.

Note G — Deferred tax asset recorded as an adjustment to goodwill and identified intangible assets under purchase accounting and reclass of Harris Corporation Intercompany deferred tax assets.

Note H — Additions to deferred tax valuation allowance are recorded as expense.

Note I — Consists of warranty settlements of $5.7 million, partially offset by $0.3 million from the Telsima acquisition.

Note J — Consists of warranty settlements of $8.4 million, partially offset by $0.1 million in foreign currency translation adjustments.

Note K — Consists of warranty settlements of $4.7 million, offset by $4.6 million from the Stratex acquisition and $0.1 million in foreign currency translation adjustments.

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

2009 Annual Report
We have published this 2009 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 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.proxypush.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 18, 2009. 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℠ ("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

Thomas L. Cronan
Sr. Vice President and Chief Financial Officer

Paul A. Kennard
Sr. Vice President and Chief Technical Officer

Shaun McFall
Sr. Vice President and Chief Marketing Officer

Michael Pangia
Sr. Vice President and Chief Sales Officer

Heinz H. Stumpe
Sr. Vice President and Chief Operating Officer

Meena Elliott
Vice President, General Counsel and Secretary

Stephen J. Gilmore
Vice President, Human Resources

J. Russell Mincey
Vice President, Corporate Controller and principal accounting officer

Carol A. Goudey
Corporate Treasurer and Assistant Secretary

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
Senior Advisor, D&M Holdings Inc.
Chairman of the Board, Chief Executive Officer, Representative Executive Director (Former)
D&M Holdings Inc.

William A. Hasler
Director
Ditech Networks, Inc.
Mission West Properties, Inc.

Clifford H. Higgerson
General Partner
Vanguard Venture Partners
Partner
Walden International

Dr. Mohsen Sohi
President and Chief Executive Officer
Freudenberg-Nok

Dr. James C. Stoffel
Director
Harris Corporation
Senior Vice President, Chief Technical Officer, Director of Research and Development (Retired)
Eastman Kodak Company

Edward F. Thompson
Consultant
Fujitsu Labs of America
Chief Financial Officer (Retired)
Amdahl Corporation

Outside Legal Counsel
Bingham McCutchen LLP
East Palo Alto, CA

Headquarters and Operations

Corporate Headquarters
Harris Stratex Networks, Inc.
Research Triangle Park
637 Davis Drive
Morrisville, NC 27560
United States

International Headquarters, Singapore
Harris Stratex Networks (S) Pte. Ltd.
17, Changi Business Park Central 1
Honeywell Building, #04-01
Singapore 486073

Offices

North America
Alpharetta, GA
Montréal, Canada
San Antonio, TX
San Jose, CA

Europe
Aix En Provence France
Athens, Greece
Bucharest, Romania
Cascais, Portugal
Châtenay-Malabry, France
Dublin, Ireland
Glasgow, Scotland
Madrid, Spain
Moscow, Russia
Nuneaton, United Kingdom
Schiphol Rijk, The Netherlands
Trzin-Ljubljana, Slovenia
Warsaw, Poland

Mexico
Mexico D.F.

Africa
Abidjan, Côte d'Ivoire
Alger, Algeria
Lagos, Nigéria
Lusaka, Zambia
Midrand, South Africa
Nairobi, Kenya

Middle East
Dubai, United Arab Emirates
Riyadh, Saudi Arabia

Asia & Pacific Rim
Bangkok, Thailand
Bangalore, India
Colombo, Sri Lanka
Dhaka, Bangladesh
Gurgaon, India
Jakarta Indonesia
Manila, Philippines
Mumbai, India
Kuala Lumpur, Malaysia
Shanghai, China
Shenzhen, China
Singapore
Sydney, Australia
Townsville, Australia

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 2009 Form 10-K.

www.harrisstratex.com