Aviat
NETWORKS

2012
Proxy Statement
& Annual Report
Aviat Networks, Inc.

Letter to Stockholders

September 26, 2012

To Our Stockholders:

Fiscal 2012 was a year of solid improvement in fundamental operations for Aviat Networks with encouraging progress towards our long term objectives. In a highly competitive environment not only did we retain our position with key customers, we successfully opened new potential opportunities on multiple fronts. We introduced a number of new products, as well as enhancements to current platforms and have a progressing pipeline of innovative new solutions that will be brought forward in fiscal year 2013 and beyond.

We reduced complexity and cost in our business processes and maintained our balance sheet strength over the prior year. As a result of our efforts, we began fiscal year 2013 with a stronger financial model and improved cost structure. We are confident that we will continue to improve our financial model and further strengthen our balance sheet while improving our overall market competitive position.

Our Fiscal Year 2012 Financial Results

For fiscal year 2012, we reported revenue, excluding discontinued operations, of $444.0 million, compared with revenue, excluding discontinued operations, of $452.1 million in the prior year and the GAAP net loss for fiscal year 2012 was $(24.1) million, or $(0.41) per share, compared with a net loss of $(90.5) million, or $(1.54) per share, for fiscal year 2011.

Fiscal year 2012 followed a year of significant restructuring initiatives and represented the first steps towards executing our long-term strategic plan of sustainable and profitable revenue growth. Our top line stabilized and, while down slightly overall from the prior year, the underlying momentum was positive as the year progressed and our backlog increased.

Further optimization of our business led to a reduction in non-GAAP operating expenses to $129.6 million from $140.2 million in the prior year; while on a non-GAAP basis we generated income from continuing operations of $3.8 million, or $0.06 per share, compared with a loss from continuing operations of $(6.3) million, or $(0.11) per share, in the prior year. A reconciliation of Non-GAAP financial measures with the corresponding most directly comparable financial measures calculated and presented in accordance with GAAP is attached as Schedule A to this letter.

Our concentration on cash generation and working capital management yielded positive cash flow from operations of $8.4 million compared with a use of cash in operations of $(41.5) million in the prior year.

From a financial perspective fiscal year 2012 was one of steady improvement and helped build a foundation to continue optimization of our business processes and management of our balance sheet to facilitate investment in our long term strategic objectives.

Our Market Opportunity

Mobile networks continue to represent our primary addressable market opportunity. In North America, as the leading mobile brands compete to provide the fastest data services, the broadest national coverage and the best user experience, their subscribers are generating and consuming ever increasing amounts of data that in turn drives demand for new and improved backhaul solutions. Internationally, mobile networks have become established as the primary telephone services and the demand for backhaul stems from a combination of increasing capacity to satisfy subscriber growth and increasing geographic coverage to provide national roaming capability. The future wave of mobile video and data services has largely yet to arrive in most parts of the world.

In the evolution of mobile services we expect to see the density of networks increase substantially, thereby creating an opportunity for new classes of backhaul products based on advanced microwave and millimeter wave technologies and making the mobile market a long term viable segment.

We continue to see attractive opportunities in several other market segments:

- Energy utility networks are using increasingly sophisticated control and automation in remote locations to more efficiently handle energy generation and distribution.
- Public safety and national security agencies are increasing the capabilities of their wireless networks to provide remote video surveillance, rapid access to central databases from the field and more secure communications.
- Fixed data communications service providers in developing countries are looking to cost- effectively enhance access for business enterprises to the global internet and cloud-based services and applications.

We are confident that our technology roadmap is well aligned with all of these evolving market requirements.

Operational Focus for Fiscal Year 2013

We will continue to improve our business processes and organization to reduce complexity, increase efficiency and maximize our competitiveness.

In fiscal year 2012 we achieved our objectives of:

- acquiring new customers;
- optimizing operational costs and efficiencies;
- accelerating product innovation; and
- investing in our service capabilities.

In fiscal year 2013 these initiatives will continue with higher levels of expectations as we further leverage our new product introductions and our reputation as a provider of high quality innovative wireless transmission solutions.

During the course of fiscal year 2013 we will further enhance our flagship Eclipse products by completing the transition to a new generation of RF technology that enhances our competitive position and creates more value for our customers. We will introduce a new generation of millimeter wave products to address growing interest in short range application as network densities increase. Our future flagship platform for IP Microwave Networking will be introduced for field trials and evaluations with commercial deployments beginning in the following fiscal year.

In addition, we will remain laser-focused on our balance sheet and delivering value for our stockholders.

In Closing

As I reflect upon my first full year as President and CEO of Aviat Networks, I am proud of the improvements we have made and the dedication and performance of our employees. This is a challenging market environment and one in which we are well equipped to perform.

Now, we are at the inflection point of our business strategy:

- We have completed critical restructuring and improved our financial foundation.
- We have retained and added customers.
- We have accelerated our innovation capabilities.
- We are poised to deliver improved value.

I want to thank our stockholders, our customers and our employees for their support as we execute in transforming our business, especially in these challenging economic times. I am confident that we will achieve our goals and look forward to the value our efforts will create for our stockholders in fiscal year 2013 and beyond.

Michael Pangia
President and Chief Executive Officer
Aviat Networks, Inc.

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; 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 fiscal year 2012 Form 10-K.

SCHEDULE A

AVIAT NETWORKS, INC.

Fiscal Year Ended June 29, 2012 Summaries

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES AND REGULATION G DISCLOSURE

To supplement the consolidated financial statements presented in accordance with accounting principles generally accepted in the United States ("GAAP"), we provide additional measures of gross margin, research and development expenses, selling and administrative expenses, operating income or loss, other income or loss, income tax provision or benefit, income or loss from continuing operations, basic and diluted income or loss per share from continuing operations, and adjusted earnings before interest, tax, depreciation and amortization ("EBITDA"), adjusted to exclude certain costs, charges, gains and losses. We believe that these non-GAAP financial measures, when considered together with the GAAP financial measures provide information that is useful to investors in understanding period-over-period operating results separate and apart from items that may, or could, have a disproportionate positive or negative impact on results in any particular period. We also believe these non-GAAP measures enhance the ability of investors to analyze trends in our business and to understand our performance. In addition, we may utilize non-GAAP financial measures as a guide in our forecasting, budgeting and long-term planning process and to measure operating performance for some management compensation purposes. Any analysis of non-GAAP financial measures should be used only in conjunction with results presented in accordance with GAAP. Reconciliations of these non-GAAP financial measures with the most directly comparable financial measures calculated in accordance with GAAP follow.

AVIAT NETWORKS, INC.

Fiscal Year 2012 Summary

RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES (1)
Condensed Consolidated Statements of Operations
(Unaudited)

	Fiscal Year Ended			
	June 29, 2012	% of Revenue	July 1, 2011	% of Revenue
	(In millions, except per share amounts)			
GAAP gross margin	**$131.7**	29.7%	**$128.1**	28.3%
Share-based compensation	0.7		0.4	
Write-off of deferred inventory and E&O costs	1.0		6.6	
Amortization of purchased technology	0.7		0.7	
Non-GAAP gross margin	**$134.1**	30.2%	**$135.8**	30.0%
GAAP research and development expenses	**$ 36.0**	8.1%	**$ 40.5**	9.0%
Share-based compensation	(0.9)		(1.9)	
Non-GAAP research and development expenses	**$ 35.1**	7.9%	**$ 38.6**	8.5%
GAAP selling and administrative expenses	**$ 98.9**	22.3%	**$104.0**	23.0%
Share-based compensation	(3.6)		(2.4)	
Rebranding and transitional services	—		(0.9)	
NetBoss bad debt expenses and other	(0.8)		0.9	
Non-GAAP selling and administrative expenses	**$ 94.5**	21.3%	**$101.6**	22.5%
GAAP operating loss	**$ (12.7)**	(2.9)%	**$ (34.6)**	(7.7)%
Share-based compensation	5.2		4.7	
Write-off of deferred inventory and E&O costs	1.0		6.6	

	Fiscal Year Ended			
	June 29, 2012	% of Revenue	July 1, 2011	% of Revenue
	(In millions, except per share amounts)			
Amortization of purchased technology	0.7		0.7	
Rebranding and transitional services	—		0.9	
NetBoss bad debt expenses and other	0.8		(0.9)	
Amortization of intangible assets	1.6		2.8	
Goodwill impairment charges	5.6		—	
Restructuring charges	2.3		15.4	
	(In millions, except per share amounts)			
Non-GAAP operating income (loss)	**$ 4.5**	1.0%	**$ (4.4)**	(1.0)%
GAAP interest and other expense, net	**$ (1.3)**	(0.3)%	**$(10.1)**	(2.2)%
Loss on sale of NetBoss assets	—		4.6	
Transactional tax assessments and other	0.6		2.8	
Costs related to liquidation of foreign subsidiaries	—		0.8	
Non-GAAP interest and other expense, net	**(0.7)**	(0.2)%	**(1.9)**	(0.4)%
GAAP income tax provision (benefit)	**$ 1.5**	0.3%	$ 14.1	3.1%
Adjustment to reflect zero percent pro forma tax rate	(1.5)		(14.1)	
Non-GAAP income tax provision	$ —	— %	$ —	— %
GAAP loss from continuing operations	**$(15.5)**	(3.5)%	**$(58.8)**	(13.0)%
Share-based compensation	5.2		4.7	
Write-off of deferred inventory and E&O costs	1.0		6.6	
Amortization of purchased technology	0.7		0.7	
Rebranding and transitional services	—		0.9	
NetBoss bad debt expenses and other	0.8		(0.9)	
Amortization of intangible assets	1.6		2.8	
Goodwill impairment charges	5.6		—	
Restructuring charges	2.3		15.4	
Loss on sale of NetBoss assets	—		4.6	
Transactional tax assessments and other	0.6		2.8	
Costs related to liquidation of foreign subsidiaries	—		0.8	
Adjustment to reflect zero percent pro forma tax rate	1.5		14.1	
Non-GAAP income (loss) from continuing operations	**$ 3.8**	0.9%	**$ (6.3)**	(1.4)%
Basic and diluted income (loss) per share from continuing operations				
GAAP	$(0.26)		$(1.00)	
Non-GAAP	$ 0.06		$(0.11)	
Shares used in computing income (loss) per share from continuing operations				
GAAP—basic and diluted	59.0		58.6	
Non-GAAP—basic	61.0		58.6	
Non-GAAP—diluted	61.0		58.6	
GAAP loss from continuing operations	**$(15.5)**	(3.5)%	**$(58.8)**	(13.0)%
Depreciation and amortization of property, plant and equipment and capitalized software	4.9		8.6	
Interest expense	1.3		2.2	
Share-based compensation	5.2		4.7	
Write-off of deferred inventory and E&O costs	1.0		6.6	
Amortization of purchased technology	0.7		0.7	

	Fiscal Year Ended			
	June 29, 2012	% of Revenue	July 1, 2011	% of Revenue
	(In millions, except per share amounts)			
	(In millions, except per share amounts)			
Rebranding and transitional services	—		0.9	
NetBoss bad debt expenses and other	0.8		(0.9)	
Amortization of intangible assets	1.6		2.8	
Goodwill impairment charges	5.6		—	
Restructuring charges	2.3		15.4	
Loss on sale of NetBoss assets	—		4.6	
Transactional tax assessments and other	0.6		2.8	
Costs related to liquidation of foreign subsidiaries	—		0.8	
Adjustment to reflect zero percent pro forma tax rate	1.5		14.1	
Adjusted EBITDA	**$10.0**	2.3%	**$ 4.5**	1.0%

(1) The adjustments above reconcile our GAAP financial results to the non-GAAP financial measures used by us. Our non-GAAP financial measures exclude share-based compensation, write-off of deferred inventory and excess and obsolete inventory, amortization of purchased technology, rebranding and transitional services, NetBoss bad debt expenses, amortization of intangible assets, goodwill impairment charges, restructuring charges, loss on sale of NetBoss assets, transactional tax assessments, adjustment to reflect zero percent pro forma tax rate, depreciation and amortization of property, plant and equipment and capitalized software and interest expense. We believe that the presentation of these non-GAAP items provides meaningful supplemental information to investors, when viewed in conjunction with, and not in lieu of, our GAAP results. However, the non-GAAP financial measures have not been prepared under a comprehensive set of accounting rules or principles. Non-GAAP information should not be considered in isolation from, or as a substitute for, information prepared in accordance with GAAP. Moreover, there are material limitations associated with the use of non-GAAP financial measures.

AVIAT NETWORKS, INC.
5200 Great America Parkway, Santa Clara CA 95054

Notice of 2012 Annual Meeting of Stockholders
To Be Held on November 13, 2012

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

NOTICE IS HEREBY GIVEN that the 2012 Annual Meeting of Stockholders of Aviat Networks, Inc. (the "Company") will be held at our facilities, located at 5200 Great America Parkway, Santa Clara, California, on Tuesday, November 13, 2012 at 2:00 p.m., local time, for the following purposes:

1. To elect eight directors to serve until the next annual meeting of stockholders or until their successors have been duly elected and qualified.
2. To vote on the ratification of the appointment by our Audit Committee of KPMG LLP as the Company's independent registered public accounting firm for fiscal year 2013.
3. To hold an advisory vote on executive compensation.
4. To transact such other business as may properly come before the annual meeting, or any adjournments or postponements thereof.

Only holders of common stock of record at the close of business on September 20, 2012 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 2012 Annual Meeting. This will help ensure the presence of a quorum at the meeting.

By Order of the Board of Directors

/s/ Meena L. Elliott

Senior Vice President, General Counsel and Secretary

September 26, 2012

Important Notice Regarding the Availability of Proxy Materials
for the Stockholder Meeting to Be Held on November 13, 2012

This proxy statement and our 2012 Annual Report are available at
http://www.proxydocs.com/AVNW

Your vote is important regardless of the number of shares you own. The Board of Directors urges you to show your support for Aviat Networks, Inc. by signing, dating and delivering the enclosed WHITE proxy card by mail (using the enclosed postage-paid envelope), as promptly as possible or by voting electronically or by telephone as described in the attached proxy statement. If you have any questions or need assistance in voting your shares, please contact our proxy solicitor, Georgeson Inc., toll-free at (800) 868-1391.

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AVIAT NETWORKS, INC.

PROXY STATEMENT

FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON NOVEMBER 13, 2012

This proxy statement ("Proxy Statement") applies to the solicitation of proxies by the Board of Directors ("Board") of Aviat Networks, Inc. (which we refer to as "Aviat," the "Company," "we," "our," and "ours") for use at the 2012 Annual Meeting of Stockholders, to be held at 2:00 p.m., local time, November 13, 2012, and any adjournments or postponements thereof. The annual meeting will be held at our facilities located at 5200 Great America Parkway, Santa Clara, California 95054. The telephone number at that location is (408) 567-7000. These proxy materials will be available over the Internet, and for those that have requested to receive the materials in hard copy, the proxy materials are being mailed on or about October 1, 2012 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 2012 Annual Meeting of Stockholders is to obtain stockholder action on the matters outlined in the notice of meeting included with this Proxy Statement. All holders of shares of common stock of record at the close of business on September 20, 2012 are entitled to notice of and to vote at the Annual Meeting and all adjournments or postponements thereof. At the meeting, our stockholders will vote to elect eight directors, vote on the ratification of the appointment by our Audit Committee of KPMG LLP as our independent registered public accounting firm for fiscal year 2013, and hold an advisory vote on the approval of executive compensation. In addition, management will report on its 2012 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 20, 2012. The record date was established by the Board as required by the Delaware General Corporation Law, or DGCL, and our Bylaws. Owners of record of shares of our common stock at the close of business on the record date are entitled to receive notice of the annual meeting and to vote at the annual meeting, and at any adjournments or postponements thereof. You may vote all shares that you owned as of the record date.

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

Each outstanding share of our common stock is entitled to one vote on each matter considered at the annual meeting. As of the record date of September 20, 2012, the number of outstanding shares of common stock was 61,432,077.

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 June 29, 2012 are available at www.proxydocs.com/AVNW.

Why are we soliciting proxies?

In lieu of personally attending and voting at the annual meeting, you can appoint a proxy to vote on your behalf. We are soliciting your vote so all shares of our common stock may be voted at the annual meeting and have designated proxy holders to whom you may submit your voting instructions. The proxy holders for the annual meeting are Charles Kissner, Chairman of the Board, Michael Pangia, President and Chief Executive Officer and Meena L. Elliott, Senior Vice President, General Counsel and Secretary.

How do I revoke my proxy?

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

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

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

What vote is required to approve each item?

- Proposal No. 1 (election of directors): The director nominees will be elected by a plurality of the votes cast. Our stockholders may not cumulate votes in the 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. **The Board recommends a vote "FOR" all nominees**.
- Proposals No. 2 (ratification of KPMG LLC as our independent registered public accounting firm) and No. 3 (advisory vote on executive compensation): An affirmative vote of the majority of the stockholders present in person or by proxy at the annual meeting and entitled to vote is necessary for approval of Proposals No. 2 and No. 3. **The Board recommends a vote "FOR" each of the Proposals No. 2 and No. 3.**

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

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

Under the DGCL, an abstaining vote and a broker "non-vote" are counted as present and are, therefore, included for purposes of determining whether a quorum of shares is present at the annual meeting. An abstention occurs when a stockholder does not vote for or against a proposal but specifically abstains from voting. A broker "non-vote" occurs when a broker or other nominee holding shares in street name for a beneficial owner signs and submits a proxy or votes with respect to shares of common stock held in a fiduciary capacity, but does not vote on a particular matter because the nominee does not have the discretionary voting power with respect to that matter and has not received instructions from the beneficial owner or because the broker elects not to vote on a matter as to which it does have discretionary voting power. Under the rules governing brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on routine matters, such as Proposal No. 2 (the ratification of KPMG LLP as the Company's independent registered public accounting firm), but not on non-routine matters, such as Proposals No. 1 (election of directors) and No. 3 (advisory vote on executive compensation). Broker "non-votes" and abstentions have no effect on the votes regarding proposal No. 1. Only "FOR" and "WITHHOLD" votes are counted for purposes of determining the votes received in connection with Proposal No. 1 relating to the election of directors. In the case of Proposals No. 2 and No. 3, which require the affirmative vote of a majority of the shares present at the meeting and entitled to vote, broker "non-votes" will have no effect on the number of votes cast or on whether the proposal has been passed because broker "non-votes" are excluded from the tabulation of votes cast, but abstentions will have the same effect as a negative vote because they will be counted as a vote cast with respect to the proposal but not counted as a vote for approval.

Who pays for the cost of solicitation?

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

In addition, the Company has retained Georgeson Inc. to assist in the solicitation of proxies. The Company has agreed that Georgeson will be paid a fee of $11,000, plus reimbursement for their reasonable out-of-pocket expenses. The Company has also agreed to indemnify Georgeson against certain liabilities and expenses, including certain liabilities and expenses under the federal securities laws.

What is the deadline for submitting proposals and director nominations for the 2013 Annual Meeting?

In order for any stockholder nominations or proposals to be considered properly brought before our 2013 annual meeting, a stockholder of record must submit a written notice thereof which must be received by our Secretary at the address of our principal executive offices, not less than 60 days nor more than 90 days prior to the meeting. However, in the event that we give less than 70 days prior notice or public disclosure of the annual meeting date, the notice must be received by our Secretary at the address noted above no less than 10 days following the date of our notice or public disclosure of the meeting. The full requirements for the notice for nominations and proposals are in Article II, Sections 13 and 14, respectively, of our Bylaws, which are available for review at our website, www.aviatnetworks.com. In addition, if a stockholder wishes the proposal or nomination to be considered for inclusion in our proxy materials for the 2013 annual meeting under SEC Rule 14a-8, written notice thereof must be received by our Secretary at the address noted above by May 31, 2013.

The proxies to be solicited by the Board for the 2013 annual meeting will confer discretionary authority on the proxy holders to vote on any stockholder proposal presented at such annual meeting if the Company fails to receive notice of such stockholder's proposal for the meeting in accordance with the periods specified above.

Who will count the votes?

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

CORPORATE GOVERNANCE

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

Board Members

The authorized size of our Board of Directors is currently eight. Directors are nominated by the Governance and Nominating Committee of the Board. Except for Mr. Rau, who was elected to the Board of Directors on November 9, 2010, and Mr. Pangia, who was elected to the Board of Directors on July 18, 2011, all current directors have held office as directors since January 26, 2007, the date of the contribution by Harris Corporation of the Microwave Communications Division of Harris, or MCD, and our merger with Stratex Networks, Inc., or Stratex. The Board is chaired by Mr. Kissner.

Name	Title and Positions
Charles D. Kissner	Director, Chairman of the Board
William A. Hasler	Director
Clifford H. Higgerson	Director
Michael A. Pangia	Director, President and CEO
Raghavendra Rau	Director
Dr. Mohsen Sohi	Director
Dr. James C. Stoffel	Lead Independent Director
Edward F. Thompson	Director

The Board has determined that as of the date of this Proxy Statement, each of our current directors and director nominees except Mr. Kissner and Mr. Pangia has no relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and is otherwise independent in accordance with listing rules of the NASDAQ stock market (the “NASDAQ Listing Rules”).

All directors are requested to attend the annual meeting of stockholders. The majority of our current directors attended last year’s annual meeting.

Board and Committee Meetings and Attendance

During fiscal year 2012, the Board held eight meetings. Each of the board members attended at least 75% percent of the total number of Board meetings and at least 85% percent of the total number of meetings of the committee or committees on which the member served during the fiscal year.

Board Member Qualifications

Our Board believes that its members should encompass a range of talent, skill and expertise enabling it to provide sound guidance with respect to the Company’s operations and interest. Our Board prefers a variety of professional experiences and backgrounds among its members and in addition to considering a candidate’s experiences and background, candidates are reviewed in the context of the current composition of the Board and evolving needs of our businesses. In particular, the Board has sought to include members that have experience in establishing, growing and leading communications companies in senior management positions and serving on the board of directors of other companies. In determining that each of the members of the Board is qualified to be a director, the Board has relied on the attributes listed below and, where applicable, on the direct personal knowledge of each of the members’ prior service on the Board.

Directors' Biographies

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

Mr. Charles D. Kissner, age 65, currently serves as our Chairman of the Board with additional oversight responsibilities for strategic activities and investor relations. Mr. Kissner served as Chief Executive Officer and Chairman of the Board of Aviat from July 2010 to July 2011. He was 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. Mr. Kissner also served as Vice President and General Manager of M/A-COM, Inc., a manufacturer of radio and microwave communications products, from July 1993 to July 1995. Prior to that, he was President and CEO of Aristacom International Inc., a communications software company, and Executive Vice President and a Director of Fujitsu Network Switching, Inc. He also held a number of executive positions at AT&T (now Alcatel-Lucent). Mr. Kissner currently serves on the board of directors of ShoreTel, Inc., an IP business telephony systems company, Meru Networks Inc., a provider of advanced enterprise wireless networking systems, and Rambus, Inc., a technology licensing company focusing on the development of technologies that enrich the end-user experience of electronic systems. Mr. Kissner also serves on the board of KQED Public Media, a non-profit organization.

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

Mr. William A. Hasler, age 70, has served as a member of the board of directors since January 2007. He also serves on the boards of Globalstar, Inc., a supplier of satellite communication services, and Mission West Properties, Inc., a REIT engaged in the management, leasing, marketing, development and acquisition of commercial R&D properties. He is also a trustee of the Schwab Funds. Mr. Hasler 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's current and prior service on the boards of several technology-driven companies, including Ditech and Globalstar, and his prior service as Chairman of a large publicly traded company provide him with an extensive knowledge base of complex management, financial, operational and governance issues faced by public companies with international operations. He is a member of the audit committee of various public and private companies. Mr. Hasler has extensive experience in Silicon Valley companies and this experience brings our Board important knowledge and expertise related to corporate finance and accounting, strategic planning, manufacturing, and operations. He brings valuable financial expertise, including extensive knowledge of accounting, auditing and investments in both public and private companies. Additionally, through his service on public company boards, Mr. Hasler has gained an understanding and expertise in public company governance.

Mr. Clifford H. Higgerson, age 72, has served as a member of the board of directors since January 2007. He has more than 40 years of experience in research, consulting, planning and venture investing primarily in the telecommunications industry, with an emphasis on carrier systems and equipment. In 2006, he became a partner with Walden International, a global venture capital firm focused on four key industry sectors: communications, electronics/digital consumer software and IT services, and semiconductors. Mr. Higgerson was a founding partner of ComVentures from 1986 to 2005, and has been a general partner with Vanguard Venture Partners since 1991. He currently serves as a member of the board of directors of Kotura Inc., Xtera Communications Inc., Ygnition Networks, Inc., Ormet Circuits, Inc., Thrupoint, Inc. and Geronimo Windpower. He 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 previously served as a member of the board of directors of Hatteras Networks Inc. and World of Good.

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

Mr. Michael A Pangia, age 51, has been our President and Chief Executive Officer and a member of the Board since July 18, 2011. From March 2009 to July 2011, he served as the Chief Sales Officer where he was responsible for company-wide operations of the Global Sales and Services organization. Prior to joining Aviat Networks, Mr. Pangia served as senior vice president, Global Sales Operations and Strategy at Nortel, where he was responsible for all operational aspects of the Global Sales function. Prior to that, he was president of Nortel's Asia region where his key responsibilities included sales and overall business management for all countries where Nortel did business in the region.

Mr. Pangia's current and prior service as a senior executive officer with large technology driven companies with international operations provide him with an extensive knowledge base of complex management, financial, operational and governance issues faced by public companies with global operations. He also brings a high level of financial literacy to the Board through both formal education and over 15 years experience in multiple finance functional areas including cost accounting, financial planning and analysis, and mergers and acquisitions.

Mr. Raghavendra Rau, age 63, has served as a member of the board of directors since November 2010. Mr. Rau currently serves as Chief Executive Officer and a member on the board of directors of SeaChange International Inc., a manufacturer of digital video systems and provider of related services to cable, telecommunications and broadcast television companies worldwide. Previously, Mr. Rau served as a member of the board of directors of Microtune, Inc., prior to its acquisition by Zoran, Inc., from May 2010 to December 2010. Mr. Rau served as Senior Vice President of the Mobile TV Solutions Business of Motorola, Inc. ("Motorola"), from May 2007 until January 2008, and as Senior Vice President of Strategy and Business Development, Networks & Enterprise of Motorola from March 2006 to May 2007. Mr. Rau served as Corporate Vice President of Global Marketing and Strategy for Motorola from 2005 to 2006, and as Corporate Vice President, Marketing and Professional Services, from 2001 to 2005. From October 1992 to 2001, Mr. Rau served in various positions within Motorola, including as Vice President of Strategic Business Planning and Vice President of Sales and Operations and held positions in Asia and Europe. Mr. Rau is a former Chairman of the QuEST Forum, a collaboration of service providers and suppliers dedicated to telecom supply chain quality and performance, and was a Director of the Center for Telecom Management at the University of Southern California. Mr. Rau also served on the Motorola Partnership Board of France Telecom.

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

Dr. Mohsen Sohi, age 53, has served as a member of the board of directors since 2007. He currently serves as the Speaker of the Management Board of Freudenberg & Co. KG, a German technology and manufacturing company. From 2003 through May 2010, Dr. Sohi served as President and Chief Executive Officer of Freudenberg-NOK, a privately-held joint venture partnership between Freudenberg and NOK Corp. of Japan, the world's largest producer of elastomeric seals and custom molded products for automotive and other applications. From 2001 through 2003 he served as President, Retail Store Automation Division, NCR Corporation. From 1986 through 2001 he served in various key positions at Honeywell/Allied Signal Inc., including President, Honeywell Electronic Materials and President, Honeywell Commercial Vehicle Systems. Dr. Sohi currently serves on the board of directors of Steris Corporation, a provider of infection prevention and contamination control products and services, and is also a member of its Compliance Committee as well as the Nominating Committee. He previously served on the board of directors of Hayes Lemmerz International, Inc., a leading worldwide producer of aluminum and steel wheels for cars and trucks.

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

Dr. James C. Stoffel, age 66, currently serves as our lead independent director and has served as a member of the board of directors since January 2007. Presently, Dr. Stoffel is on the board of directors of Harris Corporation, of which he has been a member since August 2003, and is also a member of its Finance Committee and Management Development and Compensation Committee. Additionally, he serves as General Partner of Trillium International, LLC, a private equity company, and is a senior advisor to other private equity companies. He also serves on the boards of the following privately held companies: ZBD Solutions, Ltd., Omni-ID Ltd., Quintel Ltd. and Intrinsiq Ltd. 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 serves on the Advisory Board for Research and Graduate Studies at the University of Notre Dame and is a member of the advisory board of the Applied Science and Technology Research Institute, Hong Kong.

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

Mr. Edward F. Thompson, age 74, has served as a member of the board of directors since January 2007. He is currently a member of the board of directors of ShoreTel, Inc., an IP business telephony systems company, InnoPath Software, Inc., and XBridge Systems, Inc. a mainframe data discovery company. He is on the Advisory Board of Santa Clara University's Leavey School of Business. Mr. Thompson 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 was a consultant to Fujitsu

Labs of America from 1995 to 2011. From 1976 to 1994, he held various positions at Amdahl Corporation, a multinational manufacturer of large scale computer systems, including Chief Financial Officer and Corporate Secretary, as well as Chairman and CEO of Amdahl Capital Corporation. Mr. Thompson also held positions at U.S. Leasing International, Inc., Computer Sciences Corporation, International Business Machines and Lockheed Missiles and Space Company. Mr. Thompson has contributed as a director or advisor to a number of companies including Fujitsu, Ltd. and several of its subsidiaries, and SonicWALL Inc., a provider of Internet security solutions.

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

Board Leadership

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

The Board of Directors has maintained the position of Lead Independent Director since our non-executive Chairman recently served as CEO. The Lead Independent Director presides over meetings of the independent directors due to specific subject matter, or in cases where the non-executive Chairman is absent for any other reason. The Board believes that appointing a lead independent director to serve along with a Chief Executive Officer and a non-exectuive Chairman of the Board has enhanced the Board's oversight of, and independence from, Company management, the ability of the Board to carry out its roles and responsibilities on behalf of our stockholders and our overall corporate governance. Mr. Kissner's part-time employment with the Company expired on July 18, 2012 and he is now considered the non-executive Chairman of the Board. Although, currently, the roles of the CEO and the Chairman remain separate, upon the recommendation of the Governance and Nominating Committee, the Board determined to continue the role of the lead independent director for the present.

The Board's Role in Risk Oversight

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

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

Board of Directors Committees

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

The following table shows, for fiscal year 2012, the Chairman and members of each committee, the number of committee meetings held and the principal functions performed by each committee.

Committee	Number of Meetings in Fiscal 2012	Members	Principal Functions
Audit	13	Edward F. Thompson* Eric C. Evans** William A. Hasler Raghavendra Rau	• Selects our independent registered public accounting firm • Reviews reports of our independent registered public accounting firm • Reviews and pre-approves the scope and cost of all services, including all non-audit services, provided by the firm selected to conduct the audit • Monitors the effectiveness of the audit process • Reviews management's assessment of the adequacy of financial reporting and operating controls • Monitors corporate compliance program
Compensation	7	Dr. James C. Stoffel* Clifford H. Higgerson Dr. Mohsen Sohi	• Reviews our executive compensation policies and strategies • Oversees and evaluates our overall compensation structure and programs
Governance and Nominating	5	William A. Hasler* James C. Stoffel Clifford H. Higgerson	• Develops and implements policies and practices relating to corporate governance • Reviews and monitors implementation of our policies and procedures • Reviews the process by which management identifies and mitigates key areas of risk and reviews critical risk areas with the Board of Directors • Assists in developing criteria for open positions on the Board of Directors • Reviews and recommends nominees for election of directors to the Board • Reviews and recommends policies, if needed for selection of candidates for directors

* Chairman of Committee
** Board and committee service ended November 2011

Audit Committee

The Audit Committee is primarily responsible for selecting, and approving the services performed by, our independent registered public accounting firm, as well as reviewing our accounting practices, corporate financial reporting and system of internal controls over financial reporting. The Audit Committee currently consists of Messrs. Thompson (Chairman), Hasler and Rau. No material amendments to the Audit Committee Charter were made during fiscal year 2012. The Audit Committee is comprised of independent, non-employee members of our Board who are "financially sophisticated" under the NASDAQ Listing Rules.

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

Compensation Committee

The Compensation Committee has the authority and responsibility to approve our overall executive compensation strategy, to administer our annual and long-term compensation plans and to review and make recommendations to the Board regarding executive compensation. The Compensation Committee is comprised of independent, non-employee members of the Board in accordance with NASDAQ Listing Rules. During fiscal year 2012, the Compensation Committee utilized Pearl Meyer & Partners as an independent, third-party consulting firm.

Compensation Committee Interlock and Insider Participation

The Compensation Committee currently consists of Messrs. Stoffel (Chairman), Higgerson and Sohi. None of these individuals is an officer or employee or former officer of the Company. None of our executive officers currently serves or in the past year has served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board of Directors or Compensation Committee.

Governance and Nominating Committee

The Governance and Nominating Committee currently consists of Messrs. Hasler (Chairman), Higgerson, and Stoffel. Each member of the committee meets the independence requirements of the NASDAQ Listing Rules.

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

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

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

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

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

Stockholder Communications with the Board

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

Code of Conduct

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

TRANSACTIONS WITH RELATED PERSONS

During fiscal 2012, we believe there were no transactions, or series of similar transactions, to which we were or are to be a party in which the amount exceeded $120,000, and in which any of our directors or executive officers, any holders of more than 5% of our common stock or any members of any such person's immediate family, had or will have a direct or indirect material interest, other than compensation described in the sections titled "Director Compensation and Benefits" and "Executive Compensation".

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

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

DIRECTOR COMPENSATION AND BENEFITS

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

Directors who are not employees of ours received the following fees, as applicable, for their services on our Board during fiscal year 2012:

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

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

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

Fiscal 2012 Compensation of Non-Employee Directors

Our non-employee directors received the following aggregate amounts of compensation in respect of the fiscal year ended June 29, 2012.

Name	Fees Earned or Paid in Cash	Stock Awards(1)	Option Awards(1)	Non-Equity Incentive Plan Compensation	Changes in Pension Value and Non-Qualified Deferred Compensation Earnings	All Other Compensation	Total
	($)	($)	($)	($)	($)	($)	($)
Eric C. Evans*	30,000	—	—	—	—	—	30,000
William A. Hasler	65,000	28,386	29,997	—	—	—	123,383
Clifford H. Higgerson	60,000	28,386	29,997	—	—	—	118,383
Raghavendra Rau	75,000	28,386	29,997	—	—	—	133,383
Dr. Mohsen Sohi	60,000	28,386	29,997	—	—	—	118,383
Dr. James C. Stoffel	86,000	28,386	29,997	—	—	—	144,383
Edward F. Thompson	70,000	28,386	29,997	—	—	—	128,383

* Board and committee service ended November 2011

(1) The amounts shown in this column reflect the aggregate grant date fair value of the stock awards and option awards granted to our non-employee directors computed in accordance with FASB ASC Topic 718. The assumptions made in determining the fair values of our stock awards and option awards are set forth in Notes 1 and 10 to our fiscal 2012 Consolidated Financial Statements in Part II, Item 8 of our Annual Report on Form 10-K filed with the SEC on September 4, 2012.

As of June 29, 2012, our non-employee directors held the following numbers of unvested restricted shares of common stock and stock options granted under the 2007 Stock Equity Plan, as Amended and Restated Effective November 17, 2011:

Name	Unvested Stock Awards	Unvested Option Awards
William A. Hasler	13,453	27,767
Clifford H. Higgerson	13,453	27,767
Raghavendra Rau	13,453	27,767
Dr. Mohsen Sohi	13,453	27,767
Dr. James C. Stoffel	13,453	27,767
Edward F. Thompson	13,453	27,767

Indemnification

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

- The benefits provided by our Bylaws in effect on the date of the indemnification agreement or at the time expenses are incurred by the director or officer;

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

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

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of our common stock as of September 7, 2012 by each person or entity known by us to beneficially own more than 5 percent of our common stock, by our directors, by our named executive officers and by all our directors and executive officers as a group. Except as indicated in the footnotes to this table, and subject to applicable community property laws, the persons listed in the table below have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them. Unless otherwise indicated, the address of each of the beneficial owners identified is c/o Aviat Networks, Inc., 5200 Great America Parkway, Santa Clara, CA 95054. As of September 7, 2012, there were 61,432,077 shares of our common stock outstanding.

	Shares Beneficially Owned as of September 7, 2012(1)	
	Number of Shares of Common Stock(2)	Percentage of Voting Power of Common Stock
Name and Address of Beneficial Owner		
Tocqueville Asset Management LP 40 West 57th Street New York, NY 10019	4,276,480(3)	6.96%
BlueMountain Capital Management LLC 280 Park Ave., 5th Floor East New York, NY 10017	3,600,902(4)	5.86%
BlackRock Fund Advisors 400 Howard Street San Francisco, CA 94105	3,521,382(5)	5.73%
PENN Capital Management Co., Inc. 3 Crescent Drive, Suite 400 Philadelphia, PA 19112	3,424,088(6)	5.57%
Dimensional Fund Advisors, Inc. 6300 Bee Cave Road Building One Austin, TX 78746	3,210,936(7)	5.23%
TheVanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	3,177,660(8)	5.17%
NAMED EXECUTIVE OFFICERS AND DIRECTORS		
William A. Hasler	77,651(9)	*
Clifford H. Higgerson	201,258(10)	*
Edward J. Hayes, Jr.	389,718(11)	*
Paul A. Kennard	312,112(12)	*
Charles D. Kissner	427,925(13)	*
Shaun McFall	257,397(14)	*
Michael Pangia	593,072(15)	*
Raghavendra Rau	39,958(16)	*
Dr. Mohsen Sohi	69,112(9)	*
Dr. James C. Stoffel	68,963(9)	*
Heinz H. Stumpe	260,457(17)	*
Edward F. Thompson	71,463(9)	*
All directors and executive officers as a group (12 persons)	2,769,086(18)	4.51%

* Less than one percent

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

(2) Shares of common stock that a person has the right to acquire within 60 days are deemed to be outstanding and beneficially owned by that person for the purpose of computing the total number of shares beneficially owned by that person and the percentage ownership of that person, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person or group. Accordingly, the amounts in the table include shares of common stock that such person has the right to acquire within 60 days of September 7, 2012 by the exercise of stock options.

(3) Based upon a Form 13F filing by Tocqueville Asset Management LLP with the Securities and Exchange Commission on July 30, 2012.

(4) Based upon a Form 13F filing by BlueMountain Capital Management LLC with the Securities and Exchange Commission on August 14, 2012.

(5) Based upon Form 13F filings by BlackRock, Inc. and its affiliates with the Securities and Exchange Commission on September 7, 2012, reporting ownership of 2,171,721 shares by BlackRock Institutional Trust Company, N.A., and 1,349,661 shares by BlackRock Fund Advisors.

(6) Based upon a Form 13F filing by PENN Capital Management Co., Inc. with the Securities and Exchange Commission on August 15, 2012.

(7) Based upon a Form 13F filing by Dimensional Fund Advisors LP with the Securities and Exchange Commission on August 13, 2012.

(8) Based upon a Form 13F filing by The Vanguard Group, Inc. with the Securities and Exchange Commission on August 13, 2012.

(9) Includes options to purchase 20,484 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012.

(10) Includes options to purchase 20,484 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012. Includes 107,895 shares held by, or in trusts for, members of Mr. Higgerson's family. Also includes 24,400 shares held by Higgerson Investments. Mr. Higgerson disclaims beneficial ownership of the shares held in trust and held by Higgerson Investments.

(11) Includes options to purchase 216,090 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012.

(12) Includes options to purchase 190,399 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012.

(13) Includes options to purchase 101,470 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012. Includes 103,499 shares held by, or in trusts for, members of Mr. Kissner's family. Mr. Kissner disclaims beneficial ownership of the shares held in trust.

(14) Includes options to purchase 139,070 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012.

(15) Includes options to purchase 293,018 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012.

(16) Includes options to purchase 17,647 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012.

(17) Includes options to purchase 158,758 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012.

(18) Includes options to purchase 1,218,872 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

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

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

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

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

In accordance with its responsibilities, the Audit Committee has reviewed and discussed with management the audited financial statements for the year ended June 29, 2012 and the process designed to achieve compliance with Section 404 of the Sarbanes-Oxley Act of 2002. The Audit Committee has also discussed with our independent registered public accounting firm, Ernst & Young LLP, the matters required to be discussed by SAS No. 114, Communication with Audit Committees as adopted by the Public Company Accounting Oversight Board, or PCAOB, in Rule 3200T. The Audit Committee has received the written disclosures and letter from Ernst & Young LLP required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees as adopted by the PCAOB in Rule 3600T, and has discussed with Ernst & Young LLP its independence, including whether Ernst & Young LLP's provision of non-audit services is compatible with its independence.

Based on these reviews and discussions, the Audit Committee recommended to the Board that the Company's audited financial statements for the year ended June 29, 2012 be included in Company's Annual Report on Form 10-K.

Audit Committee of the Board of Directors

Edward F. Thompson, Chairman
William A. Hasler
Raghavendra Rau

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES

On September 6, 2012, Aviat Networks, Inc. (the "Company") dismissed Ernst & Young LLP as its independent registered public accounting firm. The Audit Committee of the Company's board of directors approved the decision to change the Company's independent registered public accounting firm.

The reports of Ernst & Young LLP on the consolidated financial statements of the Company for the fiscal years ended July 1, 2011 and June 29, 2012 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the two most recent fiscal years ended July 1, 2011 and June 29, 2012 and the subsequent interim period through September 6, 2012, there have been no disagreements with Ernst & Young LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Ernst & Young LLP, would have caused it to make reference to the subject matter of the disagreement(s) in connection with its report on the consolidated financial statements of the Company.

No "reportable events", as such term is defined in Item 304(a)(1)(v) of Regulation S-K, occurred within the two most recent fiscal years ended July 1, 2011 and June 29, 2012 and the subsequent interim period through September 6, 2012.

The Company filed a Report on Form 8-K on September 12, 2012, which includes as Exhibit 16.1 a letter from Ernst & Young LLP addressed to the Securities and Exchange Commission stating that it agrees with the statements made by the Company therein in response to Item 304(a) of Regulation S-K.

On September 6, 2012, the Audit Committee of the Company's board of directors approved the engagement of KPMG LLP as its new independent registered public accounting firm for the year ending June 28, 2013. The engagement became effective on September 18, 2012, upon completion by KPMG LLP of its standard client evaluation procedures.

During the two most recent fiscal years ended July 1, 2011 and June 29, 2012 and the subsequent interim period preceding the appointment of KPMG LLP, neither the Company nor anyone on its behalf has consulted KPMG LLP regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements; and as such, neither a written report nor oral advice was provided to the Company that KPMG LLP concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement (as defined in Regulation S-K, Item 304(a)(1)(iv) and the related instructions to this Item) or a "reportable event" (as defined in Regulation S-K, Item 304(a)(1)(v)).

Representatives of both Ernst & Young LLP and KPMG LLP are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so 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 June, 29, 2012 and July 1, 2011 are as follows:

	2012	2011
Audit Fees(1)	$1,935,258	$3,370,293
Audit-Related Fees(2)	—	—
Tax Fees(3)	73,065	92,716
All Other Fees(4)	16,120	—
Total Fees for Services Provided	$2,024,443	$3,463,009

(1) Audit Fees include fees associated with the annual audit, as well as reviews of our quarterly reports on Form 10-Q, SEC registration statements, accounting and reporting consultations and statutory audits required internationally for our subsidiaries.
(2) Audit-related fees include fees for completion of certain statutory registration requirements including fees for accounting consultation.
(3) Tax Fees were for services related to tax compliance and tax planning services.
(4) Other Fees include fees billed for other services rendered not included within Audit Fees, Audit Related Fees or Tax Fees.

Ernst & Young LLP did not perform any professional services related to financial information systems design and implementation for us in fiscal 2012 or fiscal 2011.

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 and Summary

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

To understand our approach to executive compensation, you should read the entire Compensation Discussion and Analysis that follows. The following brief summary introduces the major topics covered:

- the objectives of our executive compensation program are to reward superior performance, motivate our executives to achieve our goals and attract and retain a world-class management team.
- our executive compensation program is overseen by the Compensation Committee of our Board of Directors, which makes recommendations on the program to the full Board. The Compensation Committee is composed solely of independent directors. In its work, the Compensation Committee is assisted by independent compensation consultants engaged by the Compensation Committee.
- in reviewing the elements of our executive compensation program—base salary, annual incentives, long-term incentives and post-termination compensation—our Compensation Committee reviews market data relating to each element at similar companies.
- our competitive positioning philosophy is to set compensation at the 50th percentile of compensation at peer group companies with allowances for internal factors such as tenure, individual performances and the specific importance of the job to the Company.
- our annual incentive program is based on specific Company financial performance goals for the fiscal year, and includes provisions to "claw back" any excess amounts paid in the event of a later correction or restatement of our financial statements.

Compensation Philosophy and Objectives

The primary objectives of our total executive compensation program are to recruit, retain, and develop exceptional executives, incentivize those individuals to achieve strategic, operational, and financial goals, rewarding superior performance and aligning the interests of our executives with our stockholders. The following principles guide our overall compensation program:

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

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

Executive Compensation Process

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

We conducted our first advisory vote on executive compensation last year at our 2011 Annual Meeting of Stockholders. While this vote was not binding on the Board or us, we believe that it is important for our stockholders to have an opportunity to express their views regarding our executive compensation philosophy, program and practices as disclosed in our proxy statement on an annual basis. The Board and our Compensation Committee value stockholders' opinions and, to the extent there is any significant vote against the compensation of our named executive officers, the Compensation Committee will evaluate whether any actions are warranted or appropriate.

At our 2011 Annual Meeting of Stockholders, 83.3% of the votes cast on the advisory vote on executive compensation supported our named executive officers' compensation as disclosed in the proxy statement. Our Compensation Committee reviewed the favorable results of this advisory vote, noting the widespread support from our stockholders. Although none of our Compensation Committee's subsequent actions or decisions with respect to the compensation of our executive officers were directly attributable to the results of the vote, our Compensation Committee took the vote outcome into consideration in the course of its deliberations. Our Compensation Committee believes that stockholder feedback and concerns on executive compensation matters should be considered as part of its deliberations and intends to consider the results of future advisory votes in its compensation review process.

Independent Compensation Consultant for Compensation Committee

The Compensation Committee has hired Pearl Meyer & Partners ("Pearl Meyer") as an independent consultant. All services Pearl Meyer provided Aviat Networks in fiscal year 2012 were approved by the Committee and related to executive or Board compensation. Pearl Meyer provides an annual review of the Company's compensation practices, reviews and makes recommendations regarding the compensation peer groups, and provides independent input to the Compensation Committee on programs and practices.

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 2012, targets for total cash and cash based compensation (base salary and short-term incentive), long-term incentives and total direct compensation (base salary and short-term and long-term incentives) for all officers were set based on data collected from our peer group companies and from two published survey sources, the Pearl Meyer & Partners Executive and Senior Management Total Compensation Survey and the Radford Global Technology Survey. In considering data from the two published survey sources, we focused on results for technology companies with revenues between approximately half and approximately twice our revenue. The peer group companies selected for benchmarking possessed the following attributes: business operations in the industries and businesses in which we participate with revenues between approximately half and approximately twice our revenue, which compete for the same executive talent.

For fiscal 2012, these peer group companies included:

ADTRAN Inc.
Black Box Corp.
Ciena Group
Comtech Telecommunications Corp.
EMS Technologies, Inc.
F5 Networks, Inc.
Finisar Corp.
Harmonic Inc.
Hughes Communications Inc.
Loral Space & Communications Inc.
NETGEAR, Inc.
Opnext Inc.
Plantronics Inc.
Polycom, Inc.
Powerwave Technologies Inc.
Riverbed Technology, Inc.
Sonus Networks, Inc.
Symmetricom, Inc.
Tekelec
ViaSat, Inc.

Data for our peer group companies was collected directly from these companies' proxy statements. Data from the published survey source was combined with the peer group data to develop a "market composite" perspective.

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

Total Compensation Elements

Our executive compensation program includes four major elements:

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

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

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 market composite data, assuming experience in the position and competent performance. The Compensation Committee may decide to target total compensation above or below the 50th percentile for similar positions in unique circumstances based on an individual's background, experience, or position. Though compensation levels may differ among our named executive officers based upon competitive factors and the role, responsibilities and performance of each named executive officer, there are no material differences in our compensation policies or in the manner in which total direct compensation opportunity is determined for any of our named executive officers. Because our CEO has significantly greater duties, responsibilities and accountabilities than our other named executive officers, the total compensation opportunity for the CEO is higher than for our other named executive officers. In determining CEO and other named executive officer compensation, the Board also considers the ratio between our CEO's compensation and the average compensation of our other named executive officers as compared with similar ratios for peer group companies. For fiscal 2012, that ratio was 2.42, compared to a median ratio of 2.70 in the peer group companies.

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 2012, our CEO made recommendations to the Compensation Committee in August 2011 regarding the base pay of each named executive officer (other than himself). The Compensation Committee considered each executive officer's responsibilities, as well as the Company's performance and recommended increases in base salary for select named executive officers and other officers. The process and recommendations for fiscal year 2013 as compared to fiscal year 2012 was the same. The base salaries for fiscal 2012 for our named executive officers are set forth in the Summary Compensation Table.

Annual Incentive

The short-term incentive element of our executive compensation program consists of a cash and equity-based Annual Incentive Plan, or AIP. The CEO reviews his recommendations for each named executive officer with the Compensation Committee, taking into account benchmarked market data obtained from Pearl Meyer, the Compensation Committee's independent consultant. Based on recommendations by the CEO, and as specified in any applicable employment agreement, the Compensation Committee recommends to the Board an annual incentive compensation target, expressed as a percentage of base salary, for each executive officer in August. Each named executive officer's target annual incentive percentage is benchmarked against the 50th percentile within the market composite for his or her specific role. The Compensation Committee also recommends to the Board 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 compensation is tied directly to our financial performance. The target amount of annual incentive compensation under our AIP, expressed as a percentage of base salary, generally increases with an executive's level of management responsibility. AIP target incentive can represent up to 100% of the base cash compensation for our named executive officers and paid in the form of cash, stock or a combination of the two. If performance results meet target levels, our executives can earn up to a maximum of 100% of their target incentive. No incentive can be earned for performance below the minimum threshold. Equity awards under the AIP are granted under the 2007 Stock Equity Plan, as amended and restated.

For fiscal year 2012, the AIP provided for cash and stock incentives, and contained minimum thresholds and payout ratios for performance measures consisting of revenue and operating income. Revenue had an assigned weight of 50%, and operating income an assigned weight of 50%. The target amounts were established in August 2011, and the plan provided for zero payout unless Company performance met at least one target threshold percentage. The revenue target for fiscal year 2012, $440 million, was computed in accordance with generally accepted accounting principles, or GAAP. The operating income target for fiscal year 2012, $3.8 million, was computed based on GAAP results with certain non-GAAP adjustments approved by the Compensation Committee, such as charges incurred for restructurings, impairments, and stock based compensation. Applying non-GAAP adjustments to the operating income focuses this part of the AIP incentive on more controllable aspects of the income statement.

Table 1

Fiscal 2012 Annual Incentive Plan		Results-Driven Entitlement	
Metric	Tiers	Performance (As % of Financial Target) (%)	Payout ** (As % of Award Target) (%)
Revenue (50%)	Minimum Threshold	50%	50%
	Target	100%	100%
	Maximum Threshold	100%	100%
Operating Income* (50%)	Minimum Threshold	50%	50%
	Target	100%	100%
	Maximum Threshold	100%	100%

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

** Performance share portion of the AIP (constitutes 50% of the AIP) vests upon achievement of the minimum threshold.

The 2012 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 2012 fiscal year, we achieved both of the maximum thresholds for AIP awards and upon approval by the Compensation Committee, all named executive officers received 100% of the payout under the AIP. Payouts to named executive officers were 50% in the form of restricted stock issued subject to vesting based on achievement of the AIP targets and 50% in the form of cash.

For fiscal year 2013, the Compensation Committee recommended to the Board and the Board approved, that the metric for the AIP will be 100% based on earnings per share. Payout to named executive officers will be represented 100% by performance based restricted stock. Payouts (as a percentage of the award target) are capped at 100%.

Long-Term Compensation—Equity Incentives

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

Our LTIP is designed to motivate our executives to focus on achievement of our long-term financial goals. Equity awards 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 to four -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 2012, the Compensation Committee has authorized LTIP awards that will provide incentives for performance through fiscal year 2014.

The LTIP awards made in fiscal 2012 were made at a reduced level, in relation to base salary, in light of the challenging business situation. Previous LTIP awards had been composed of 50% stock options, 25% service-based restricted stock awards and 25% performance-based restricted stock awards. (In all cases, the proportions are measured by the estimated GAAP expense associated with the awards.) Management and the Board agreed to reduce the total target incentive amount for each named executive officer for fiscal year 2012 by eliminating the performance based stock awards, with no increase in the other components. The stock options vest over a three-year period with 50% vesting on the first anniversary of grant and 25% on each of the following two anniversaries. The service-based restricted stock vests 33⅓% on each of the three following anniversaries of the award. The Committee believes that each type of equity component addresses different compensation objectives. Stock options provide a leverage opportunity and alignment with shareholder interests. Service-based restricted stock encourages retention of key executives.

Performance Shares. In past fiscal years, the Compensation Committee recommended performance share awards that are earned, if the performance criteria are met, at the end of a 3-year plan cycle. The maximum possible entitlement to performance shares will occur if 100% of the target is achieved. In addition, irrespective of Company performance versus target, there is no entitlement to performance shares unless the award recipient continues to be employed throughout the multi-year period. Performance shares are subject to repurchase by the Company at $0.01 per share if eligible employment ends during the performance measurement period and to the extent the maximum performance is not achieved during the performance measurement period. For fiscal year 2011, upon the recommendation of the Compensation Committee, the performance shares under the 2009-2011 LTIP, were repurchased by the Company since the Committee determined that the threshold targets had not been met. For fiscal year 2012, upon recommendation of the Compensation Committee, approximately 107,300 of the performance based restricted shares under the fiscal year 2010 LTIP, were repurchased by the Company since the Compensation Committee determined that the threshold targets had not been met. For compensation planning purposes, awards of performance-based restricted stock are valued at the fair market value of the shares on the date of award, which is the closing price on the NASDAQ Global Market on that date, without reduction to reflect vesting or other conditions.

Stock Options. The Compensation Committee believes that 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 time, and to assist in the hiring of new executives by replacing the value of stock options that may have been forfeited as a result of leaving a former employer. Generally, options are granted with an exercise price equal to the fair market value of the common stock on the grant date, which is the closing price on the NASDAQ Global Market on that date. Typically, the Compensation Committee awards stock options that vest and become exercisable solely on the basis of continued employment, or other service, over three or four years, with 50 or 25 percent vesting on the first anniversary of the date of the grant and an additional 25 percent vesting on the remaining anniversaries of the date of the grant. Duration of stock options (subject to the terms of the Plan) is seven years from grant date. For compensation planning purposes, awards of stock options are valued using the Black-Scholes valuation method, without reduction to reflect vesting or other conditions. In fiscal 2012, the Black-Scholes valuations were approximately 50% of the grant-date value of the shares subject to the option.

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

There were no significant changes in the LTIP compensation for any individual in fiscal year 2012 as compared to fiscal year 2011 other than the elimination of the performance share component as described above.

The LTIP continues to be an important element of our executive compensation program. For fiscal 2013, the Compensation Committee recommended, and the Board authorized, long-term incentive awards structured 100% as stock options vesting 50% on the first, and 25% on the second and third anniversaries of the grant.

Recovery of Executive Compensation

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

Stock Ownership Guidelines

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

Tax and Accounting Considerations

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

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

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

In fiscal year 2012, 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 relocation expense reimbursement and 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 2011 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 $17,000 during each calendar year, as allowed by the IRS. We do not provide defined benefit pension plans or defined contribution retirement plans to the named executive officers or other employees other than the 401(k) Plan, or as required in certain countries other than the United States, for legal or competitive reasons.

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

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

Post-Termination Compensation

Employment agreements have been established with each of our named executive officers. These agreements provide for certain payments and benefits to the employee if his or her employment with us is terminated. These arrangements are discussed in more detail on page 38. We have determined that such payments and benefits are an integral part of a competitive compensation package for our named executive officers. For additional information regarding our employment agreements with our named executive officers, see the discussion under "Potential Payments Upon Termination or Change of Control."

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis included in this Proxy Statement. Based on this review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended June 29, 2012.

Compensation Committee of the Board of Directors

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

Risk Considerations in Our Compensation Program

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

- Our compensation program is designed to provide a mix of both fixed and "at risk" incentive compensation.
- The incentive elements of our compensation program (annual incentives and multi-year equity LTIP awards) are designed to reward both annual performance (under the annual incentive plan) and longer-term performance (under the LTIP). We believe this design mitigates any incentive for short-term risk-taking that could be detrimental to our company's long-term best interests.
- Our incentive compensation programs for officers reward a mix of different performance measures such as, revenue, operating income, cash flow and earnings per share. We believe this mix of performance measures mitigates any incentive to seek to maximize performance under one measure to the detriment of performance under another measure. For example, if our management were to seek to increase sales by pursuing strategies that would negatively impact our profitability, any increase in the portion of annual incentive based on revenue would be offset by decreases in the portion of annual incentive based on operating profit and in the vesting of performance shares based on cash flow.
- Maximum payouts under our annual incentive plan is currently capped at 100% of target payouts. We believe these limits mitigate excessive risk-taking, since the maximum amount that can be earned is limited.
- Finally, our annual incentive plan and our long-term incentive plan both contain provisions under which awards may be recouped or forfeited if the recipient has not complied with our policies. In addition, our performance-based plans (cash incentive and performance shares) both contain provisions under which awards may be recouped or forfeited if the financial results for a period affecting the calculation of an award are later restated.

Summary Compensation Table

The following table summarizes the total compensation for each of our fiscal years ended June 29, 2012, July 1, 2011 and July 2, 2010 of our named executive officers, who consisted of our Chief Executive Officer, Chief Financial Officer, the next three other most highly compensated executive officers, and our former Chief Executive Officer and former Chief Financial Officer, who would have been included in such table had they served as an executive officer as of June 29, 2012.

Name/Principal Position	Fiscal Year (1)	Salary (3) ($)	Bonus (4) ($)	Stock Awards (5) ($)	Option Awards (6) ($)	Non-Equity Incentive Plan Compensation (7) ($)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings(8) ($)	All Other Compensation (9) ($)	Total ($)
Michael Pangia,	2012	542,500	—	405,533	366,576	275,000	—	234,689	1,824,298
Chief Executive Officer (formerly	2011	420,000	—	109,000	110,255	—	—	1,324	640,579
Senior Vice President of Sales)(2)	2010	420,000	—	293,328	145,959	—	—	1,046	860,333
Charles D. Kissner,	2012	363,904	—	42,578	44,995	—	—	14,551	466,028
Chairman of the Board and	2011	695,000	—	466,602	455,324	—	—	270,268	1,887,194
former Chief Executive Officer(2)	2010	13,365	—	69,998	28,427	—	—	479,839	591,629
Edward Hayes Jr.,	2012	235,385	75,000	355,937	458,068	96,250	—	54,426	1,275,066
Senior Vice President and Chief	2011	—	—	—	—	—	—	—	—
Financial Officer(2)	2010	—	—	—	—	—	—	—	—
Paul A. Kennard,	2012	324,804	—	92,411	97,476	97,500	—	21,413	633,604
Senior Vice President and Chief	2011	324,804	—	119,900	121,281	—	—	16,514	582,499
Technology Officer	2010	324,804	—	219,996	109,469	—	—	15,135	669,404
Heinz H. Stumpe,	2012	325,000	—	92,430	97,476	97,500	—	2,260	614,666
Senior Vice President and Chief	2011	325,000	—	119,900	121,281	—	—	8,260	574,441
Sales Officer (formerly Chief Operating Officer)(2)	2010	325,000	—	89,566	90,000	—	—	26,260	530,826
Shaun McFall,	2012	300,000	—	85,320	89,977	90,000	—	9,181	574,478
Senior Vice President and Chief	2011	300,000	—	119,900	121,281	—	—	14,507	555,688
Marketing Officer	2010	294,462	—	156,667	78,333	—	—	14,764	544,226
Thomas L. Cronan III,	2012	56,231	—	—	—	—	—	19,763	75,994
former Senior Vice President and	2011	329,515	—	130,800	132,306	—	—	5,789	598,410
Chief Financial Officer(2)	2010	300,000	—	286,668	142,644	—	—	1,104	730,416

(1) Our fiscal year 2012 ended June 29, 2012, our fiscal year 2011 ended July 1, 2011 and our fiscal year 2010 ended July 2, 2010. The amounts in this table represent total compensation paid or earned for our fiscal year as included in our annual financial statements.

(2) Effective July 18, 2011, Mr. Pangia was appointed President and Chief Executive Officer, and Mr. Kissner became a part-time employee of the Company while continuing as Chairman of the Board. Effective August 25, 2011, Mr. Cronan resigned his position as Senior Vice President and Chief Financial Officer of the Company. Effective October 31, 2011, Mr. Hayes was appointed Senior Vice President and Chief Financial Officer. Effective June 24, 2012, Mr. Stumpe was appointed Senior Vice President and Chief Sales Officer.

(3) The annual base salary for Mr. Pangia as our CEO is $550,000. The amount in the Summary Compensation table for the fiscal year ended June 29, 2012 of $542,500 reflects Mr. Pangia's salary as our Chief Sales Officer for the period July 2, 2011 through July 17, 2011 and as our CEO for the period July 18, 2011 through June 29, 2012.

Mr. Kissner's annual base salary as a part-time employee is $350,000. The amount in the Summary Compensation table for the fiscal year ended June 29, 2012 of $363,904 reflects Mr. Kissner's salary as our CEO for the period July 2, 2011 through July 17, 2011 and as our part-time employee for the period July 18, 2011 through June 29, 2012. The amount in the Summary Compensation table for the fiscal year ended July 2, 2010 of $13,365 reflects Mr. Kissner's salary for the period June 28, 2010 through July 2, 2010.

The annual base salary for Mr. Hayes is $360,000. The amount in the Summary Compensation table for fiscal 2012 of $235,385 reflects Mr. Hayes' salary for the period October 31, 2011 through June 29, 2012.

The amount in the Summary Compensation table for fiscal 2012 of $56,231 reflects Mr. Cronan's salary for the period July 2, 2011 through August 25, 2011.

(4) Represents a one-time bonus earned by Mr. Hayes in respect of fiscal 2012 performance for the achievement of certain management objectives.

(5) The "Stock Awards" column shows the full grant date fair value of the performance shares (at target) and restricted stock granted in fiscal 2012 and 2010. For fiscal 2011, the grant date fair value of the performance shares was reduced to zero or no value since subsequent to the grant date we estimated that the minimum threshold performance will not be achieved. If we had estimated that the fiscal 2011 performance shares would be earned by exceeding the target metrics (the maximum pay-out under the Plan), the following amounts would have been included in the amount under this column and as part of the named executive officers total compensation:

Mr. Pangia	$109,000
Mr. Kennard	$119,900
Mr. Stumpe	$119,900
Mr. McFall	$119,900
Mr. Kissner	$466,602
Mr. Cronan	$130,800

The grant date fair value of the performance shares and restricted stock was determined under FASB ASC Topic 718 and represents the amount we would expense in our financial statements over the entire vesting schedule for the awards. The grant date fair value for performance awards and restricted stock was based on the closing market price of our common stock on the respective award dates, except for the performance shares granted during fiscal 2011 as discussed above. The assumptions used for determining values are set forth in Notes 1 and 10 to our audited consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended June 29, 2012. These amounts reflect our accounting for these grants and do not correspond to the actual values that may be recognized by the named executive officers.

The listed stock awards to Mr. Kissner during fiscal 2012 and 2010 were made to him as a member of our Board of Directors.

(6) The "Option Awards" column shows the full grant date fair value of the stock options granted in fiscal 2012, 2011 and 2010. The grant date fair value of the stock option awards was determined under FASB ASC Topic 718 and represents the amount we would expense in our financial statements over the entire vesting schedule for the awards. The assumptions used for determining values are set forth in Notes 1 and 10 to our audited consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended June 29, 2012. 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.

(7) For fiscal 2012, represents amounts earned in respect of 2012 performance under the fiscal year 2012 AIP as though 100% of revenue and operating income (non-GAAP) targets had been achieved with actual achievement of 100% of both targets. For the fiscal years 2011 and 2010, no amounts were paid to named executive officers in respect of 2011 and 2010 performance under the respective fiscal year's AIP.

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

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

Name	Year	Life Insurance (a) ($)	Housing and Auto Allowance (b) ($)	Vacation Payout in Cash ($)	Severance & Related Benefits (c) ($)	Other Patent Income (d) ($)	Other Bonus (e) ($)	Fees Earned as Board of Director (f) ($)	Relocation Benefits (g) ($)	Company Matching Contributions Under 401(k) Plan(h) ($)	Total All Other Compensation ($)
Michael Pangia	2012	2,100	—	—	—	—	—	—	232,589	—	234,689
	2011	1,324	—	—	—	—	—	—	—	—	1,324
	2010	1,046	—	—	—	—	—	—	—	—	1,046
Charles D. Kissner	2012	5,801	—	—	—	—	—	—	—	8,750	14,551
	2011	7,695	14,400	—	239,692	—	—	—	—	8,481	270,268
	2010	—	15,600	—	394,239	—	—	70,000	—	—	479,839
Edward J. Hayes	2012	1,657	—	—	—	—	50,000	—	—	2,769	54,426
Paul A. Kennard	2012	3,469	—	—	—	5,694	—	—	—	12,250	21,413
	2011	2,864	—	—	—	1,015	—	—	—	12,635	16,514
	2010	2,260	—	—	—	—	—	—	—	12,875	15,135
Heinz H. Stumpe	2012	2,260	—	—	—	—	—	—	—	—	2,260
	2011	2,260	6,000	—	—	—	—	—	—	—	8,260
	2010	2,260	24,000	—	—	—	—	—	—	—	26,260
Shaun McFall	2012	1,104	—	—	—	—	—	—	—	8,077	9,181
	2011	1,104	—	—	—	—	—	—	—	13,403	14,507
	2010	968	—	—	—	—	—	—	—	13,796	14,764
Thomas L. Cronan III	2012	244	—	16,707	—	—	—	—	—	2,812	19,763
	2011	1,212	—	—	—	—	—	—	—	4,577	5,789
	2010	1,104	—	—	—	—	—	—	—	—	1,104

(a) Represents premiums paid for life insurance that represent taxable income for the named executive officer.
(b) Represents payments to Mr. Kissner under his former employment agreement with Stratex. Represents taxable amounts to Mr. Stumpe paid under former Stratex compensation policies that carried forward after the merger on January 26, 2007.
(c) Represents severance payments to Mr. Kissner under his former employment agreement with Stratex.
(d) Represents taxable amounts paid to Mr. Kennard for the acquisition of patents previously owned by him.
(e) Represents a sign-on bonus paid to Mr. Hayes.
(f) Represents compensation earned by Mr. Kissner as Chairman of the Board prior to being named chief executive officer.
(g) Represents taxable benefits paid in connection with the relocation of Mr. Pangia's household to Santa Clara, California from Georgia.
(h) Represents matching contributions made by us to the account of the respective named executive's 401(k) Plan.

Grants of Plan-Based Awards in Fiscal 2012

The following table lists our grants and incentives during our fiscal year ended June 29, 2012 of plan-based awards, both equity and non-equity based and including our Annual Incentive Plan and Long-Term Incentive Plan, to the named executive officers listed in the Summary Compensation Table. There is no assurance that the grant date fair value of stock and option awards will ever be realized.

		Estimated Possible Payouts Under Short-Term Non-Equity Incentive Plan Awards in Fiscal 2012(2)			Estimated Future Payments Under Short-term Equity Incentive Plan Awards in Fiscal 2012(3)			All Other Stock Awards in Fiscal 2012			
Name	Grant Date (1)	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	Number of Shares of Stock or Units (#)	Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Share)	Fair Value of Stock and Option Awards (7)(8) ($)
Michael Pangia	N/A	137,500	275,000	275,000	—	—	—	—	—	—	—
	09/08/2011	—	—	—	73,333	73,333	73,333	—	—	—	173,799
	09/08/2011	—	—	—	—	—	—	97,778(5)	—	—	231,734
	09/08/2011	—	—	—	—	—	—	56,933(6)	—	—	134,931
	09/08/2011	—	—	—	—	—	—	—	301,287(7)	2.37	366,576
Charles D. Kissner	01/26/2012	—	—	—	—	—	—	20,179(4)	—	—	42,578
	01/26/2012	—	—	—	—	—	—	—	41,650(4)	2.11	44,495
Edward Hayes Jr.	N/A	48,125	96,250	96,250	—	—	—	—	—	—	—
	10/31/2011	—	—	—	46,951	46,951	46,951	—	—	—	96,250
	10/31/2011	—	—	—	—	—	—	35,214(5)	—	—	72,189
	10/31/2011	—	—	—	—	—	—	91,463(5)	—	—	187,499
	10/31/2011	—	—	—	—	—	—	—	296,234(7)	2.05	313,978
	10/31/2011	—	—	—	—	—	—	—	133,234(7)	2.05	144,089
Paul A. Kennard	N/A	48,750	97,500	97,500	—	—	—	—	—	—	—
	09/08/2011	—	—	—	26,000	26,000	26,000	—	—	—	61,620
	09/08/2011	—	—	—	—	—	—	12,992(5)	—	—	30,791
	09/08/2011	—	—	—	—	—	—	—	80,115(7)	2.37	97,476
Heinz H. Stumpe	N/A	48,750	97,500	97,500	—	—	—	—	—	—	—
	09/08/2011	—	—	—	26,000	26,000	26,000	—	—	—	61,620
	09/08/2011	—	—	—	—	—	—	13,000(5)	—	—	30,810
	09/08/2011	—	—	—	—	—	—	—	80,115(7)	2.37	189,872
Shaun McFall	N/A	45,000	90,000	90,000	—	—	—	—	—	—	—
	09/08/2011	—	—	—	24,000	24,000	24,000	—	—	—	56,880
	09/08/2011	—	—	—	—	—	—	12,000(5)	—	—	28,440
	09/08/2011	—	—	—	—	—	—	—	73,952(7)	2.37	89,977

(1) Grant Date of Common Stock under our 2007 Stock Equity Plan, as amended and restated effective November 17, 2011.

(2) The amounts shown under Estimated Possible Payouts Under Short Term Non-Equity Incentive Plan Awards reflect possible payouts under our fiscal 2012 Annual Incentive Plan. The actual amount earned by each named executive officer for fiscal 2012 pursuant to our 2012 Annual Incentive Plan is set forth in the Summary Compensation Table above under the column titled "Non-Equity Annual Incentive Plan Compensation."

(3) Performance shares vest 100 percent when performance target is met. The target is $430.0 million of revenue and $2.9 million of Non-GAAP operating income for fiscal 2012. The shares may vest following the end of our fiscal year 2012, or June 29, 2012, based on continuous employment and achievement of performance results as stated above. Performance shares vested in full on August 29, 2012.

(4) The stock option and restricted stock to Mr. Kissner vest 100% after one year from the grant date and were made to him as a non-employee member of our Board of Directors, .

(5) Restricted stock that vests in installments of 33 1/3 percent one year from the grant date, 33 1/3 percent two years from the grant date and 33 1/3 percent three years from the grant date based on continuous employment through those dates.

(6) The restricted shares were cancelled on October 11, 2012.

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

(8) The "Grant Date Fair Value of Stock and Option Awards" column shows the full grant date fair value of the performance shares (at target), restricted stock and stock options granted in fiscal 2012. The grant date fair value of the performance shares, restricted stock and stock options was determined under FASB ASC Topic 718 and represents the amount we would expense in our financial statements over the entire vesting schedule for the awards in the event the vesting provisions are achieved. The grant date fair value for performance awards and restricted stock were based on a grant price ranging between $2.05 and $2.37, the closing market price of our common stock on the dates which the awards were granted.

The assumptions used for determining values are set forth in Notes 1 and 10 to our audited consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended June 29, 2012. 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 2012

The following table provides information regarding outstanding unexercised stock options and unvested stock awards held by each of our named executive officers as of June 29, 2012. Each grant of options or unvested stock awards is shown separately for each named executive officer. The vesting schedule for each award of options is shown in the footnotes following this table based on the option grant date. The material terms of the option awards, other than exercise price and vesting are generally described in our 2007 Stock Equity Plan, as amended and restated effective November 17, 2011.

	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 ($)
Michael Pangia	09/08/2011	—	301,287(2)	—	2.37	9/8/2018	—	—	—	—
	09/08/2011	—	—	—	—	—	97,778(4)	273,778(5)	—	—
	09/08/2011	—	—	—	—	—	—	—	73,333(6)	205,332(5)
	11/11/2010	25,000(2)	25,000(2)	—	4.36	11/11/2017	—	—	—	—
	11/11/2010	—	—	—	—	—	16,666(4)	46,664(5)	—	—
	11/11/2010	—	—	—	—	—	—	—	25,000(7)	70,000(5)
	11/12/2009	36,789(2)	12,263(2)	—	6.00	11/12/2016	—	—	—	—
	11/12/2009	—	—	—	—	—	8,148(4)	22,814(5)	—	—
	11/12/2009	—	—	—	—	0	—	—	24,444(8)	68,443(5)
	03/30/2009	80,586(2)	—(2)	—	4.05	3/30/2016	—	—	—	—
Charles D. Kissner	01/26/2012	—	41,650(1)	—	2.11	1/26/2019	—(1)	—(5)	—	—
	01/26/2012	—	—	—	—	—	20,179	56,501	—	—
	02/10/2011	25,250(2)	25,250(2)	—	6.11	2/10/2018	—	—	—	—
	02/10/2011	—	—	—	—	—	18,800(4)	52,640(5)	—	
	02/10/2011	—	—	—	—	—	—	—	28,200(7)	78,960(5)
	11/11/2010	67,500(2)	67,500(2)	—	4.36	11/11/2017	—	—	—	—
	11/11/2010	—	—	—	—	—	45,000(4)	126,000(5)	—	—
	11/11/2010	—	—	—	—	—	—	—	67,500(7)	189,000(5)
	04/19/2010	8,720(2)	—	—	6.73	4/19/2017	—	—	—	—
	06/06/2006	3,750(3)	—	—	16.04	6/6/2013	—	—	—	—
Edward Hayes Jr.	10/31/2011	—	296,234(2)	—	2.05	10/31/2018	—	—	—	—
	10/31/2011	—	135,946(2)	—	2.05	10/31/2018	—	—	—	—
	10/31/2011	—	—	—	—	—	91,463(4)	256,096(5)	—	—
	10/31/2011	—	—	—	—	—	35,214(4)	98,599(5)	—	—
	10/31/2011	—	—	—	—	—	—	—	46,951(6)	131,463(5)
Paul A. Kennard	09/08/2011	—	80,115(2)	—	2.37	9/8/2018	—	—	—	—
	09/08/2011	—	—	—	—	—	12,992(4)	36,377(5)	—	—
	09/08/2011	—	—	—	—	—	—	—	26,000(6)	72,800(5)
	11/11/2010	27,500(2)	27,500(2)	—	4.36	11/11/2017	—	—	—	—
	11/11/2010	—	—	—	—	—	18,333(4)	51,332(5)	—	—
	11/11/2010	—	—	—	—	—	—	—	27,500(7)	77,000(5)
	11/12/2009	27,591(2)	9,198(2)	—	6	11/12/2016	—	—	—	—
	11/12/2009	—	—	—	—	—	6,111(4)	17,110(5)	—	—
	11/12/2009	—	—	—	—	0	—	—	18,333(8)	51,332.4(5)
	11/05/2008	50,251(2)	—	—	5.97	11/5/2015	—	—	—	—
	02/28/2007	15,000(2)	—	—	20.4	2/28/2014	—	—	—	—
	06/06/2006	30,000(3)	—	—	16.04	6/6/2013	—	—	—	—
	06/30/2005	12,500(3)	—	—	6.88	6/30/2012	—	—	—	—
Heinz H. Stumpe	09/08/2011	—	80,115(2)	—	2.37	9/8/2018	—	—	—	—
	09/08/2011	—	—	—	—	—	13,000(4)	36,400(5)	—	—
	09/08/2011	—	—	—	—	—	—	—	26,000(6)	72,800(5)
	11/11/2010	27,500(2)	27,500(2)	—	4.36	11/11/2017	—	—	—	—
	11/11/2010	—	—	—	—	—	18,333(4)	51,332(5)	—	—
	11/11/2010	—	—	—	—	—	—	—	27,500(7)	77,000(5)
	11/12/2009	22,575(2)	7,525(2)	—	6	11/12/2016	—	—	—	—

Name	[Awards Listed in Chronological Order] Award Grant Date	Option Awards: Number of Securities Underlying Unexercised Options Exercisable (#)	Option Awards: Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Awards: Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Awards: Option Exercise Price ($)	Option Awards: Option Expiration Date	Stock Awards: Number of Shares or Units of Stock that have not Vested (#)	Stock Awards: Market Value of Shares or Units of Stock that have not Vested ($)	Stock Awards: Equity Incentive Plan Awards: Number of Unearned Shares Units or Other Rights that have not Vested (#)	Stock Awards: Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that have not Vested ($)
	11/12/2009	—	—	—	—	—	5,000(4)	14,000(5)	—	—
	11/12/2009	—	—	—	—	0	—	—	15,000(8)	42,000(5)
	11/05/2008	37,326(2)	—	—	5.97	11/5/2015	—	—	—	—
	02/28/2007	11,300(2)	—	—	20.4	2/28/2014	—	—	—	—
	06/06/2006	20,000(3)	—	—	16.04	6/6/2013	—	—	—	—
Shaun McFall	09/08/2011	—	73,952(2)	—	2.37	9/8/2018	—	—	—	—
	09/08/2011	—	—	—	—	—	12,000(4)	33,600(5)	—	—
	09/08/2011	—	—	—	—	—	—	—	24,000(6)	67,200(5)
	11/11/2010	27,500(2)	27,500(2)	—	7.36	11/11/2017	—	—	—	—
	11/11/2010	—	—	—	—	—	18,333(4)	51,332(5)	—	—
	11/11/2010	—	—	—	—	—	—	—	27,500(7)	77,000(5)
	11/12/2009	19,648(2)	6,550(2)	—	6	11/12/2016	—	—	—	—
	11/12/2009	—	—	—	—	—	4,352(4)	12,185(5)	—	—
	11/12/2009	—	—	—	—	0	—	—	13,056(8)	36,556.8(5)
	11/05/2008	29,796(2)	—	—	5.97	11/5/2015	—	—	—	—
	02/28/2007	8.9(2)	—	—	20.4	2/28/2014	—	—	—	—
	06/06/2006	16,250(3)	—	—	16.04	6/6/2013	—	—	—	—
	06/30/2005	5,050(3)	—	—	6.88	6/30/2012	—	—	—	—

(1) Stock options and Restricted stock were awarded to Mr. Kissner as a non-employee director and vests 100% one year from the grant date.

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

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

(4) Restricted stock that vests in installments of 33 1⁄3 percent one year from the grant date, 33 1⁄3 percent two years from the grant date and 33 1⁄3 percent three years from the grant date based on continuous employment through those dates. The listed stock awards to Mr. Kissner were made to him as a non-employee member of our Board of Directors prior to his appointment as Chairman and CEO. These awards vest in full one year from the grant date.

(5) Market value is based on the $2.80 closing price of a share of our common stock on June 29, 2012, as reported on the NASDAQ Global Market.

(6) Performance shares vest 100 percent when performance targets are met. The target is $430.0 million of revenue and $2.9 million of operating income for fiscal 2012. The shares may vest following the end of our fiscal year 2012, or June 29, 2012, based on continuous employment and achievement of performance results as stated above. Performance shares vested in full on August 29, 2012.

(7) Performance share vesting may begin at 80 percent of the target level of cash flow from operations, as adjusted, and reaches maximum payout at financial performance at or above 120 percent of this target. The target (at which 100 percent vesting occurs) is $10.0 million of cash flow from operations, as adjusted, cumulatively for the three fiscal years in the period ending June 28, 2013. The shares may vest following the end of our 2013 fiscal year or June 28, 2013, based on continuous employment and achievement of performance results for the cumulative period from July 3, 2010 through the end of fiscal year 2013. Currently, performance shares have not vested for any officer.

(8) Performance share vesting may begin at 80 percent of the target level of cash flow from operations, as adjusted, and reaches maximum payout at financial performance at or above 120 percent of this target. The target (at which 100 percent vesting occurs) is $125.4 million of cash flow from operations, as adjusted, cumulatively for the three fiscal years in the period ended June 29, 2012. The performance shares were cancelled on August 29, 2012 since the minimum threshold performance targets were not achieved.

Option Exercised and Stock Vested in Fiscal 2012

The following table provides information for each of our named executive officers regarding the number of shares of our common stock acquired upon the vesting of stock awards during fiscal 2012. No options to purchase common stock were exercised during fiscal 2012. Stock awards vesting during fiscal 2012 consisted solely of restricted stock with service-based vesting provisions.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Received on Vesting ($)(1)
Michael Pangia	—	—	16,482	36,755
Charles D. Kissner	—	—	31,900	71,137
Edward Hayes Jr.	—	—	—	—
Paul A. Kennard	—	—	15,278	34,070
Heinz H. Stumpe	—	—	14,167	31,592
Shaun McFall	—	—	13,519	30,147

(1) Amount shown is the aggregate market value of the vested shares of service-based restricted common stock based on the closing price of our stock on the vesting date.

Equity Compensation Plan Summary

The following table provides information as of June 29, 2012, 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 Units and Performance Share Units(1)	Weighted-Average Exercise Price of Outstanding Options(2)	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(3)	5,775,642	$ 4.10	6,597,515
Equity Compensation plans not approved by security holders(4)	441,121	$15.12	—
Total	6,216,763	$ 4.96	6,597,515

(1) Under the 2007 Stock Equity Plan, in addition to options, we have granted share-based compensation awards in the form of performance shares, restricted stock, performance share units and restricted stock units. As of June 29, 2012, there were 2,619,064 such awards outstanding under that plan. The outstanding awards consisted of (i) performance share awards at target and restricted stock awards, for which all 2,075,390 shares were issued and outstanding; and (ii) 543,674 performance share unit awards at target and restricted stock unit awards, for which all 543,674 were payable in shares but for which no shares were yet issued and outstanding. The 5,775,642 shares to be issued upon exercise of outstanding options and vesting of restricted stock units and performance share units as listed in the first column consisted of shares to be issued in respect of the exercise of 5,231,968 outstanding options and in respect of the 543,674 performance share unit awards and restricted stock units awards payable in shares.

(2) Excludes weighted average fair value of restricted stock units and performance share units at issuance date.

(3) Consists solely of our 2007 Stock Equity Plan, as amended and restated effective November 17, 2011.

(4) 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 stockholders of Stratex prior to the merger with us. No shares are available for further issuance.

Proxy Statement

Potential Payments Upon Termination or Change of Control

Employment agreements have been established with each of the continuing named executive officers, which provide for such executives to receive certain payments and benefits if their employment with us is terminated. These arrangements are set forth in detail below assuming a termination event on June 29, 2012 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) ($)	Total ($)
Michael Pangia	Termination without cause or for good reason, or due to disability	12	45,833	550,000	275,000	825,000	—	19,367	30,000	874,367
	Within 18 months after Change of Control	24	45,833	1,100,000	275,000	1,375,000	816,587	38,733	30,000	2,260,320
Edward J. Hayes, Jr.	Termination without cause or for good reason, or due to disability	12	30,000	360,000	135,000	495,000	—	20,624	30,000	545,624
	Within 18 months after Change of Control	24	30,000	720,000	135,000	855,000	810,293	41,248	30,000	1,736,541
Paul A. Kennard	Termination without cause or for good reason, or due to disability	12	27,067	324,804	97,500	422,304	—	8,266	30,000	460,570
	Within 18 months after Change of Control	24	27,067	649,608	97,500	747,108	340,403	16,532	30,000	1,134,043
Heinz H. Stumpe	Termination without cause or for good reason, or due to disability	12	27,083	325,000	97,500	422,500	—	8,363	30,000	460,863
	Within 18 months after Change of Control	24	27,083	650,000	97,500	747,500	327,982	16,727	30,000	1,122,209
Shaun McFall	Termination without cause or for good reason, or due to disability	12	25,000	300,000	90,000	390,000	—	19,367	30,000	439,367
	Within 18 months after Change of Control	24	25,000	600,000	90,000	690,000	309,674	38,733	30,000	1,068,407

(1) The monthly base salary represents the total gross monthly payments to each named executive officer at the current salary.
(2) The target bonus represents the maximum amount of a payout under the terms of the Annual Incentive Plan discussed in the Compensation Discussion and Analysis section of this Proxy Statement.
(3) Reflects acceleration of outstanding equity awards as of June 29, 2012.
(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.

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) an employee benefit plan of ours or any of our Affiliates; (ii) a trustee or other fiduciary holding securities under an employee benefit plan of our or any of our Affiliates; or (iii) an underwriter temporarily holding securities pursuant to an offering of such securities; or
- over a period of 36 consecutive months or less, there is a change in the composition of the Board such that a majority of the Board members (rounded up to the next whole number, if a fraction) ceases, by reason of one or more proxy contests for the election of Board members, to be composed of individuals each of whom meet one of the following criteria: (i) have been a Board member continuously since the adoption of this Plan or the beginning of such 36-month period; (ii) have been appointed by Harris; or (iii) have been elected or nominated during such 36-month period by at least a majority of the Board members that belong to the same Class of director as such Board member; and (iv) satisfied one of the above criteria when they were elected or nominated;
- a majority of the Board determines that a Change of Control has occurred; or
- the complete liquidation or dissolution of the Company.

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

- severance payments at their final base salary for a period of 12 months following termination;
- payment of premiums necessary to continue their group health insurance under COBRA (or to purchase other comparable health coverage on an individual basis if the employee is no longer eligible for COBRA coverage) until the earlier of (i) 12 months; or (ii) the date on which they first became eligible to participate in another employer's group health insurance plan;
- the prorated portion of any incentive bonus they would have earned during the incentive bonus period in which their employment was terminated;

- any equity compensation subject to service-based vesting granted to the executive officer will stop vesting as of their termination date; however, they will be entitled to purchase any vested share(s) of stock that are
- subject to the outstanding options until the earlier of: (i) 12 months; or (ii) the date on which the applicable option(s) expire; and
- outplacement assistance selected and paid for by us.

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

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and persons who own more than 10 percent of a registered Class of the Company's equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Directors, executive officers and greater than 10 percent holders are required by SEC regulation to furnish us with copies of all Section 16(a) reports they file. Based solely on our review of Forms 3 and 4 received during fiscal 2012, and Forms 5 (or any written representations) received with respect to fiscal year 2012, we believe that all directors, officers, executive officers and 10 percent stockholders complied with all applicable Section 16(a) filing requirements during fiscal 2012.

PROPOSAL NO. 1:

ELECTION OF DIRECTORS

At the 2012 Annual Meeting of Stockholders, directors are being nominated for election to serve until the next annual meeting of stockholders or until their successors are duly elected and qualified, or until the death, resignation or removal of such director. In a Board meeting on August 21, 2012, following the recommendation of our Governance and Nominating Committee, the Board nominated Messrs. Kissner, Hasler, Higgerson, Pangia, Rau, Sohi, Stoffel and Thompson as director nominees for election to serve on the Board following the annual meeting. Unless you attend the annual meeting in person and submit a ballot that indicates your intent to withhold your vote in favor of any or all of the director nominees listed below, or, in the alternative, submit a proxy card or other voting instructions, as the case may be, indicating your intention to withhold your vote in favor of any or all of the director nominees listed below, then your proxy will be voted "FOR" the election of each of the director nominees listed below.

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

DIRECTOR NOMINEES

Name	Title	Age
Charles D. Kissner	Chairman of the Board	65
William A. Hasler	Director	70
Clifford H. Higgerson	Director	72
Michael A. Pangia	Director, President and Chief Executive Officer	51
Raghavendra Rau	Director	63
Dr. Mohsen Sohi	Director	53
Dr. James C. Stoffel	Lead Independent Director	66
Edward F. Thompson	Director	74

Vote Required

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

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE COMPANY'S BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE ELECTION OF EACH OF THE DIRECTOR NOMINEES AND UNANIMOUSLY RECOMMENDS A VOTE FOR EACH OF THE DIRECTOR NOMINEES.

PROPOSAL NO. 2:

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Company is asking stockholders to ratify and approve the appointment of KPMG LLP as the Company's independent registered public accounting firm for the year ending June 28, 2013. Pursuant to the approval of the Audit Committee of the Company's Board of Directors, on September 6, 2012 the Company dismissed Ernst & Young LLP as its independent registered public accounting firm and approved the engagement of KPMG LLP as its new independent registered public accounting firm. Ernst & Young LLP has served as the Company's independent registered public accounting firm since fiscal year 2007.

The reports of Ernst & Young LLP on the consolidated financial statements of the Company for the fiscal years ended July 1, 2011 and June 29, 2012 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the two most recent fiscal years ended July 1, 2011 and June 29, 2012 and the subsequent interim period through September 6, 2012, there have been no disagreements with Ernst & Young LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Ernst & Young LLP, would have caused it to make reference to the subject matter of the disagreement(s) in connection with its report on the consolidated financial statements of the Company.

No "reportable events", as such term is defined in Item 304(a)(1)(v) of Regulation S-K, occurred within the two most recent fiscal years ended July 1, 2011 and June 29, 2012 and the subsequent interim period through September 6, 2012.

During the two most recent fiscal years ended July 1, 2011 and June 29, 2012 and the subsequent interim period preceding the appointment of KPMG LLP, neither the Company nor anyone on its behalf has consulted KPMG LLP regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements; and as such, neither a written report nor oral advice was provided to the Company that KPMG LLP concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement (as defined in Regulation S-K, Item 304(a)(1)(iv) and the related instructions to this Item) or a "reportable event" (as defined in Regulation S-K, Item 304(a)(1)(v)).

Vote Required

Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending June 28, 2013 requires the affirmative vote of a majority of the shares of our common stock present in person or represented by proxy and entitled to vote at the meeting. If the appointment is not ratified, the Audit Committee will consider whether it should select another independent registered public accounting firm.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE COMPANY'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE AUDIT COMMITTEE'S APPOINTMENT OF KPMG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE 2013 FISCAL YEAR.

PROPOSAL NO. 3:

ADVISORY VOTE ON EXECUTIVE COMPENSATION

A "say on pay" advisory vote is required for all U.S. public companies under recently adopted Section 14A of the Securities Exchange Act of 1934, as amended. In accordance with this new law, we are asking stockholders to approve, on an advisory basis, the compensation of the Company's named executive officers disclosed in the Compensation Discussion and Analysis section, and the related compensation tables, notes and narrative in this proxy statement.

The Board of Directors recommends that you vote FOR approval of the advisory vote on executive compensation because it believes that the policies and practices described in the Compensation Discussion and Analysis are effective in achieving the Company's goals of rewarding sustained financial and operating performance and leadership excellence, aligning the executives' long-term interests with those of the stockholders and motivating the executives to remain with the Company for long and productive careers. Named executive officer compensation of the past three years reflects amounts of cash and long-term equity awards consistent with periods of economic stress and lower earnings, and equity incentives aligning with our actions to stabilize the Company and to position it for a continued recovery.

We urge stockholders to read the Compensation Discussion and Analysis beginning on page 22 of this proxy statement, as well as the Summary Compensation Table and related compensation tables, notes and narrative, appearing on pages 31 through 40, which provide detailed information on the Company's compensation policies and practices and the compensation of our named executive officers.

Vote Required

Approval of the advisory vote on executive compensation requires the affirmative vote of a majority of the shares of our common stock present in person or represented by proxy and entitled to vote at the meeting. While this advisory vote on executive compensation is non-binding, the Board and the Compensation Committee will review and consider the voting results when evaluating our executive compensation program.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE COMPANY'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS APPROVAL OF THE ADVISORY VOTE ON EXECUTIVE COMPENSATION.

OTHER MATTERS

2012 Annual Report

Our annual report for the fiscal year ended June 29, 2012 will be available over the Internet and is mailed along with the other proxy materials to all stockholders who request printed copies in the manner specified in the Notice in this Proxy Statement.

Form 10-K

We filed an annual report on Form 10-K for the fiscal year ended June 29, 2012 with the SEC on September 4, 2012. Stockholders may obtain a copy of the annual report on Form 10-K, without charge, by writing to our Secretary, at the address of our offices located at 5200 Great America Parkway, Santa Clara, California 95054, or through our website at www.aviatnetworks.com.

Other Business

The Board is not aware of any other matter that may be presented for consideration at the annual meeting. Should any other matter properly come before the annual meeting for a vote of the stockholders, the proxy holders will have authority to vote all proxies submitted to them at their discretion as to any matter of which we did not receive notice by September 14, 2012.

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

Form 10-K

(Mark One)

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

For the fiscal year ended June 29, 2012

or

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

Commission File Number 001-33278

AVIAT NETWORKS, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

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

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

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

As of December 30, 2011 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the registrant's Common Stock held by non-affiliates was approximately $82,515,000 based upon the closing price per share on the NASDAQ Global Market. For purposes of this calculation, the registrant has assumed that its directors and executive officers as of December 30, 2011 are affiliates.

The number of shares outstanding of the registrant's Common Stock as of August 15, 2012 was 61,274,740 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Stockholders scheduled to be held on or about November 13, 2012, which will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended June 29, 2012, are incorporated by reference into Part III of this Annual Report on Form 10-K.

AVIAT NETWORKS, INC.

ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended June 29, 2012

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

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

- *continued price erosion as a result of increased competition in the microwave transmission industry;*
- *the impact of the customer, product and geographic mix of our product orders;*
- *the volume and timing of product orders and the timing of completion of our product deliveries and installations;*
- *our suppliers' inability to perform and deliver on time as a result of their financial condition, component shortages or other supply chain constraints, such as the recent natural disasters in Japan and Thailand;*
- *our ability to meet projected new product development dates or anticipated cost reductions of new products;*
- *continued weakness in the global economy affecting customer spending;*
- *customer acceptance of new products;*
- *the ability of our subcontractors to timely perform;*
- *retention of our key personnel;*
- *our ability to manage and maintain key customer relationships;*
- *uncertain economic conditions in the telecommunications sector combined with operator and supplier consolidation;*
- *the timing of our receipt of payment for products or services from our customers;*
- *our failure to protect our intellectual property rights or defend against intellectual property infringement claims by others;*
- *the effects of currency and interest rate risks;*

- *the impact of political turmoil in countries where we have significant business; and*
- *the timing and size of future restructuring plans and write-offs.*

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

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

PART I

Item 1. *Business*

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

We were incorporated in Delaware in 2006 to combine the businesses of Harris Corporation's Microwave Communications Division ("MCD") and Stratex Networks, Inc. ("Stratex"). On January 28, 2010, we changed our corporate name from Harris Stratex Networks, Inc. to Aviat Networks, Inc.

Our principal executive offices are located at 5200 Great America Parkway, Santa Clara, CA 95054, and our telephone number is (408) 567-7000. Our common stock is listed on the NASDAQ Global Market under the symbol AVNW. As of June 29, 2012, we employed approximately 980 people, compared with approximately 1,000 people as of July 1, 2011.

Overview and Description of the Business

We design, manufacture and sell a range of wireless networking products, solutions and services to mobile and fixed operators, private network operators, government agencies, transportation and utility companies, public safety agencies and broadcast network operators around the world. We sell products and services directly to our customers and also use agents and distributors.

Our products include point-to-point (PTP) digital microwave transmission systems designed for first/last mile access, middle mile/backhaul, and long distance trunking applications. We also provide network management solutions to enable our customers to deploy, monitor and manage our systems, third party equipment such as antennas, routers, multiplexers, etc, necessary to build and deploy a complete wireless network, and a full suite of turnkey support services.

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

Revenue from our North America and international regions represented approximately 37% and 63%, respectively, of our revenue in fiscal 2012, 35% and 65%, respectively, of our revenue in fiscal 2011, and 38% and 62%, respectively, of our revenue in fiscal 2010. Information about our revenue attributable to our geographic regions are set forth in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 11 of the accompanying consolidated financial statements in this Annual Report on Form 10-K.

Market Overview

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 consisting of thousands of wireless links. The architecture of a network is influenced by several factors, including the available radio frequency spectrum, coordination of frequencies with existing infrastructure, application requirements, environmental factors and local geography.

In recent years, there has been an increase in capital spending in the wireless telecommunications industry. In addition, the overall 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 in capital spending and demand is directly related to a growing global subscriber base for mobile wireless communications services, emergence of new high capacity mobile devices and data-intensive applications and need for new services delivered from next-generation networks capable of delivering broadband services. We see a variety of factors that drive demand for infrastructure investment and especially in microwave backhaul:

- *Expanding mobile coverage.* Mobile operators around the world are continually being challenged to meet the needs of a growing mobile subscriber base flooded by the tremendous growth of broadband applications and devices. They are installing more cell sites to expand geographic coverage and to fill in spots where user coverage is insufficient.
- *Upgrading mobile backhaul.* Many mobile operators are modernizing their mobile radio access networks (RANs) with either 3G (HSPA) or 4G (HSPA+ and LTE) technologies. Mobile backhaul networks will also be upgraded with the RAN moving from T1/E1 copper to fiber or microwave to deliver higher user bandwidth.
- *Increasing backhaul capacity:* With RAN upgrades, operators are increasing cell site backhaul capacity from a typical 8 Mbps (4 E1/T1) at an edge site to over 40 Mbps. At hubs or aggregation sites, where traffic from multiple edge sites is combined, backhaul capacity may need to be as high as 2 Gbps.
- *Deploying small cells backhaul.* More and more mobile operators are experiencing a capacity crunch. Outdoor small cells are gaining momentum as one of the best ways to remedy this issue. Industry analysts forecast the main deployment of small cells will start in 2014-2015, and that microwave will be one of the preferred solutions for small cells backhaul to be widely used by mobile operators.
- *Meeting government requirements.* In some countries, governments require that service providers deploy 4G in underserved, rural areas as a condition of obtaining an LTE spectrum license.
- *Using microwave in other vertical markets.* In addition to mobile backhaul, we see increasing demand for microwave technology in other vertical markets, such as utility, public safety, financial institution and broadcast, etc.
    - Many utility companies around the world are actively investing in Smart Grid solutions and energy demand management, which drive the need for network modernization and increased capacity of networks.

- In the public safety vertical market, whether it is for improving border patrol or emergency services for local or state police, access to timely information or enhanced communications is critical. Mobile video and access to centralized data servers at the scene of an incident requires a high bandwidth network. Such demands drive the need for new generation microwave radios with high reliability, high performance, maximum system redundancy and strong security.
- New opportunities have emerged in some other niche markets in non-mobile sectors as well, such as the low latency application for high frequency trading in financial industry, for which demand has been growing at a higher rate than the wireless industry, as a whole. With lower latency and shorter line of sight distance between transmission sites than fiber, microwave technology has been selected over fiber by more and more financial institutions for such applications. There is also the broadcast market, where terrestrial TV broadcasting is progressively going digital on a global basis and has presented new opportunities for microwave vendors.

These factors are combining to create a range of opportunities for continued investment in backhaul and transport networks favoring microwave technology. As we focus on our execution of the future generations of our technology, our goal is to make wireless a viable choice for an ever broadening range of network types.

Strategy

Over the past year, we have made significant strides in transitioning our company to focus on our cost effective core microwave transmission business. We offer and will continue to improve upon our microwave transmission solutions that deliver the network performance needed to support next generation services and enable a smooth transition from legacy networks to all IP.

Newer generation 4G technologies require high-speed packet infrastructures. To address this requirement, we have enhanced our core product offering by building on our market leading Eclipse Packet Node platform by adding new features and enhancements and leveraging technology in third party products to provide a complete IP network solution.

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

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

We expect to continue to serve and expand upon our existing customer base and develop business with new customers. We have sold more than 750,000 microwave radios in over 140 countries and are present in more than 300 mobile networks worldwide. We intend to leverage our customer base, our longstanding presence in many countries, our distribution channels, our comprehensive product line, our superior customer service and our turnkey solution capability to continue to sell existing and new products and services to current customers.

Products and Solutions

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

- *Broad product and solution portfolio.* We offer a comprehensive suite of wireless transmission networking systems for microwave and millimeter-wave networking applications. Our solution consists of tailored offerings of our own wireless products and our own integrated ancillary equipment or that of other manufacturers and providers of element and network management systems and professional services. These solutions address a wide range of transmission frequencies, ranging from 2.4 MHz to 90 GHz, and a wide range of transmission capacities, ranging up to 4 gigabits per second. The major product families included in these solutions are Eclipse, Aviat WTM 3000, Aviat WTM 6000 and ProVision, our network management software.
- *Low total cost of ownership.* Our wireless-based solutions offer a relatively low total cost of ownership, including savings on the combined costs of initial acquisition, installation and ongoing operation and maintenance. Our latest generation system designs reduce rack space requirements, require less power, are software-configurable to reduce spare parts requirements, and are simple to install, operate, upgrade and maintain. Our advanced wireless features can also enable operators to save on related costs, including spectrum fees and tower rental fees.
- *Futureproof network.* Our solutions are designed to protect the network operator's investment by incorporating software-configurable capacity upgrades and plug-in modules that provide a smooth migration path to emerging technologies, such as carrier Ethernet and IP-based networking, without the need for costly equipment substitutions and additions. Our products include key technologies we believe will be needed by operators for their network evolution to support new broadband services.
- *Flexible, easily configurable products.* We use flexible architectures with a high level of software configurable features. This design approach produces high-performance products with reusable components while at the same time allowing for a manufacturing strategy with a high degree of flexibility, improved cost and reduced time-to-market. The software features of our products offer our customers a greater degree of flexibility in installing, operating and maintaining their networks.
- *Comprehensive network management.* We offer a range of flexible network management solutions, from element management to enterprise-wide network management and service assurance that we can optimize to work with our wireless systems.
- *Complete professional services.* In addition to our product offerings, we provide network planning and design, site surveys and builds, systems integration, installation, maintenance, network monitoring, training, customer service and many other professional services. Our services cover the entire evaluation, purchase, deployment and operational cycle and enable us to be one of the few complete turnkey solution providers in the industry.

Business Operations

Sales and Service

We believe that a direct and continuing relationship with service providers is a competitive advantage in attracting new customers and satisfying existing ones. As a result, we offer our products and services through our own direct sales, service and support organization, which allows us to closely monitor the needs of our customers. We have offices in Canada and the United States in North America; Brazil, Argentina and Mexico in

Central and South America; Slovenia, Poland, France, Austria, Amsterdam and the United Kingdom in Europe; Nigeria, Kenya, Ivory Coast, Algeria and South Africa in Africa; the United Arab Emirates, Saudi Arabia and Lebanon in the Middle East; and Australia, Bangladesh, India, New Zealand, Indonesia, China, Malaysia, the Philippines, Singapore and Thailand in the Asia Pacific region. Our local offices provide us with a better understanding of our customers' needs and enable us to respond to local issues and unique local requirements.

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

We have repair and service centers in India, Nigeria, Ghana, Brazil, Mexico, the Philippines, the United Kingdom and the United States. Our international headquarters in Singapore provides sales and customer support for the Asia Pacific region from this facility. We have customer service and support personnel who provide customers with training, installation, technical support, maintenance and other services on systems under contract. We install and maintain customer equipment directly in some cases and contract with third-party service providers in other cases, depending on the equipment being installed and customer requirements.

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

Manufacturing

Our global manufacturing strategy is an entirely outsourced manufacturing model using multiple contract manufacturers in both the United States and Asia locations. Our strategy is to use a select number of contract manufacturers for all products. We continue to perform our system integration and customer acceptance and testing in an Aviat facility co-located with one of our contract manufacturers in the United States.

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

Backlog

Our backlog by geographic region is as follows:

	June 29, 2012	July 1, 2011
	(In millions)	
North America	$ 93.9	$ 98.5
International	114.6	120.5
Total backlog	$208.5	$219.0

Backlog for our products generally consists of contracts or purchase orders for both product deliveries scheduled within the next 12 months and extended service warranty. We regularly review our backlog to ensure that our customers continue to honor their purchase commitments and have the financial means to purchase and deploy our products and services in accordance with the terms of their purchase contracts.

We expect to substantially fill the entire backlog as of June 29, 2012 during fiscal 2013, but we cannot be assured that this will occur. Product orders in our current backlog are subject to changes in delivery schedules or to cancellation at the option of the purchaser without significant penalty. Accordingly, although useful for scheduling production, backlog as of any particular date may not be a reliable measure of sales for any future period because of the timing of orders, delivery intervals, customer and product mix and the possibility of changes in delivery schedules and additions or cancellations of orders. The backlog figures exclude advance payments and unearned income amounts. As of June 29, 2012, no customers accounted for 10% or more of our total backlog.

Customers

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

During fiscal 2012, the Mobile Telephone Networks Group, or MTN Group, in Africa accounted for 17% of our total revenue compared with 14% in fiscal 2011 and 17% in fiscal 2010. We have entered into separate and distinct contracts with MTN Group 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.

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

International Business

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

Description	Percentage of Total Revenue
Revenue from U.S. exports or manufactured abroad:	
Fiscal 2012	64%
Fiscal 2011	67%
Fiscal 2010	67%

Description	Percentage of Non U.S. Revenue
Revenue from U.S. exports:	
Fiscal 2012	1%
Fiscal 2011	5%
Fiscal 2010	7%

Description	Percentage of Total Revenue
Revenue from operations conducted in local international currencies:	
Fiscal 2012	21%
Fiscal 2011	18%
Fiscal 2010	16%

Description	Percentage of Total Revenue
Revenue from non-U.S. countries representing more than 5% of total revenue:	
Fiscal 2012 Nigeria	21%
Fiscal 2012 France	6%
Fiscal 2011 Nigeria	17%
Fiscal 2010 Nigeria	18%
Fiscal 2010 Saudi Arabia	7%

The functional currency of our subsidiaries located in the United Kingdom, Singapore, Mexico, Algeria and New Zealand is the U.S. dollar so the effect of foreign currency changes have not had a significant effect on our revenue from those countries. Direct export sales, as well as sales from international subsidiaries, are primarily denominated in U.S. dollars. International operations represented 38% and 43% of our long-lived assets as of June 29, 2012 and as of July 1, 2011.

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

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

A significant portion of our exports are paid from letters of credit issued to us, with the balance carried on an open account. In addition, significant international government contracts generally require us to provide performance guarantees. We have not historically had to pay out on the 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” in this Annual Report on Form 10-K.

Competition

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

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

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

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

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

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 two major product areas: backhaul solutions and network management systems. In addition, we are investing in key innovation that will help separate these products from the competition. The majority of such research and development resources will be used for point-to-point digital microwave radio systems for access, backhaul, trunking and license-exempt applications.

Our research, development and engineering expenditures totaled $36.0 million, or 8.1% of revenue in fiscal 2012, $40.5 million, or 9.0% of revenue in fiscal 2011, and $31.1 million, or 6.7% of revenue in fiscal 2010.

Research, development and engineering are primarily directed to the development of new products and to building technological capability. We are an industry innovator and 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 development programs intended to result in new products, such as additions to our WTM3000 and Eclipse product platforms.

Our product development team numbered 224 as of June 29, 2012, located in Santa Clara, California; Wellington, New Zealand; Singapore and Ljubljana, Slovenia.

Raw Materials and Supplies

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

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

While we have been affected by performance issues of some of our suppliers and subcontractors, we have not been materially adversely affected by the inability to obtain raw materials or products. In general, any performance issues causing short-term material shortages are within the normal frequency and impact range experienced by high-tech manufacturing companies. They are due primarily to the highly technical nature of many of our purchased components.

Looking ahead, we anticipate standard lead times for our raw materials and supplies.

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 15, 2012, we held 119 U.S. patents and 114 international patents and had 58 U.S. patent applications pending and 87 international patent applications pending. We do not consider our business to be materially dependent upon any single patent, license or other intellectual property right, or any group of related patents, licenses or other intellectual property rights. From time to time, we might engage in litigation to enforce our patents and other intellectual property or defend against claims of alleged infringement. Any of our patents, trade secrets, trademarks, copyrights and other proprietary rights could be challenged, invalidated or circumvented, or may not provide competitive advantages. Numerous trademarks used on or in connection with our products are also considered to be valuable assets.

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

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

Environmental and Other Regulations

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

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

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

Employees

As of June 29, 2012 we employed approximately 980 people, compared with 1,000 as of the end of fiscal year 2011 and 1,380 as of the end of fiscal 2010. Approximately 455 of our employees are located in the U.S. We also utilized approximately 76 independent contractors as of June 29, 2012. None of our employees in the U.S. are represented by a labor union. In certain international subsidiaries, our employees are represented by workers' councils or statutory labor unions. In general, we believe that our relations with our employees are good.

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 4, 2012, are as follows:

Name and Age	Position Currently Held and Past Business Experience
Michael A. Pangia, 51	Mr. Pangia has been our President and Chief Executive Officer and a member of the Board since July 18, 2011. From March 2009 to July 2011, he served as our Chief Sales Officer responsible for company-wide operations of the global sales and services organization. Prior to joining Aviat Networks, from 2008 to 2009, Mr. Pangia served as Senior Vice President, global sales operations and strategy at Nortel, where he was responsible for all operational aspects of the global sales function. From 2006 to 2008, he was President of Nortel's Asia region where his key responsibilities included sales and overall business management for all countries where Nortel did business in the region.
Edward J. ("Ned") Hayes, 57	Mr. Hayes joined Aviat Networks in October 2011 and serves as our Senior Vice President and Chief Financial Officer responsible for the finance and IT organizations. Prior to joining Aviat Networks, from 2006 through October 2011, Mr. Hayes was the Chief Financial Officer at Pillar Data Systems, Inc., an enterprise data storage company, which was acquired by Oracle Corporation. Before joining Pillar Data, he served as Executive Vice President and Chief Financial Officer of Quantum Corporation, a data storage company. Mr. Hayes currently serves as a senior advisor to the CEO of Super Micro Computer, Inc., where he previously served as an independent director and Chair of the Audit Committee. He also currently served as an independent director and non-

	executive Chairman of the Board of Alaska Communications Systems, a provider of high-speed wireless, mobile broadband, internet, local, long-distance and advanced broadband solutions for businesses and consumers in Alaska.
Paul A. Kennard, 61	Mr. Kennard joined our company as Chief Technology Officer in January 2007 when Harris Corporation's Microwave Communications Division ("MCD") and Stratex Networks, Inc. merged. In 1996 he joined Stratex Networks as Vice President, Engineering.
Meena L. Elliott, 49	Ms. Elliott was appointed Senior Vice President, General Counsel and Secretary on September 1, 2011. Since July 2009, she has served as Vice President, General Counsel and Secretary. 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 MCD as Division Counsel in March 2006. Prior to joining MCD, she was Chief Counsel at the Department of Commerce from 2002 to 2006.
Heinz H. Stumpe, 57	Mr. Stumpe was appointed Chief Sales Officer on June 25, 2012. Before his appointment as Chief Sales Officer, Mr. Stumpe was our Senior Vice President and Chief Operating Officer since June 30, 2008. Previously, he was Vice President, Global Operations for Aviat Networks and Stratex Networks. 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, 52	Mr. McFall has been our Chief Marketing Officer since July 2008. Previously, from 2000 to 2008, he served as Vice President, Marketing for Aviat Networks and Stratex Networks. He has been with us since 1989.

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.

Web site Access to Aviat Networks' Reports; Available Information

General. We maintain an Internet Web site at http://www.aviatnetworks.com. Our annual reports on Form 10-K, proxy statements, 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 business and operations, is set forth in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K.

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.

Our success will depend on new products introduced to the marketplace in a timely manner, successfully completing product transitioning and achieving 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. If we fail to develop or introduce on a timely basis new products or product enhancements or features that achieve market acceptance, our business may suffer. Another factor impacting our future success is the growth in the customer demand of our new products. Rapidly changing technology, frequent new products introductions and enhancements, short product life cycles and changes in customer requirements characterize the markets for our products. 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 new product platforms, we may face significant risk that the development of our new products may not be accepted by our current customers. 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. Similarly we may face decreased revenue, gross margins and profitability due to a rapid decline in sales of current products as customers hold spending to focus purchases on new product platforms. We could incur significant costs in completing the transition, including costs of inventory writedowns of the current product as customers transition to new product platforms. In addition, products or technologies developed by others may render our products noncompetitive or obsolete and result in significant reduction in orders from our customers and the loss of existing and prospective customers.

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

As measured under U.S. generally accepted accounting principles ("U.S. GAAP"), we have incurred a net loss in each of the last 6 fiscal years. We incurred net losses of $24.1 million in fiscal 2012, $90.5 million in fiscal 2011 and $130.2 million in fiscal 2010 and have been unprofitable since we became a public company in January 2007. We also have consistently reported losses from operations, although we have generated cash from operations in fiscal 2012, 2010 and 2009.

Throughout fiscal 2012 we experienced strong price competition for new business in all regions while major customer consolidations also put pressure on revenue and gross margin. We saw pricing pressures in all markets, particularly in international markets where we compete for the business of large, carrier customers. In all markets, telecommunication operating companies consolidated through mergers or acquisitions, leading to fewer, but larger customers. In order to counter pricing pressures, we invested heavily in product improvements to reduce unit costs and enhance product features, exited manufacturing facilities and shifted production to contract manufacturers, and worked with our vendors to attain more favorable pricing. If we are unable to reduce product unit costs associated with enhanced product features, including payments to contract manufacturers and other suppliers, we may not achieve profitability.

We cannot be certain that these actions or others that we may take in the future will result in operating profitability or net income as determined under U.S. GAAP.

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

The wireless access, interconnection and backhaul 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, Huawei and ZTE, as well as a number of other public and private companies such as Ceragon, DragonWave, SAIE and Exalt. Some of our competitors are OEMs or systems integrators through whom we market and sell our products, which means our business success may depend on these competitors to some extent. One or more of our largest customers could internally develop the capability to manufacture products similar to those manufactured or outsourced by us and, as a result, the demand for our products and services may decrease.

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

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

Our average sales prices may decline in the future.

Currently, we 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.

The effects of the global financial and economic downturn may have significant effects on our customers and suppliers that would result in material adverse effects on our business, operating results, financial condition and stock price.

The effects of the global financial and economic downturn include, among other things, significant reductions in available capital and liquidity from banks and other providers of credit, substantial reductions and/or fluctuations in equity and currency values worldwide, and concerns that the worldwide economy has entered into or may enter into a further prolonged recessionary period.

This financial downturn has adversely affected and may continue to materially adversely affect our customers' access to capital and/or willingness to spend capital on our products, and/or their levels of cash liquidity and/or their ability and/or willingness to pay for products that they will order or have already ordered from us, or result in their ceasing operations. Further, we have experienced an increasing number of our customers, principally in emerging markets, requesting longer payment terms, lease or vendor financing arrangements, longer terms for the letters of credit securing purchases of our products and services, which could potentially negatively impact our orders, revenue conversion cycle, and cash flows.

In seeking to reduce their expenses, we have also seen significant pressure from our customers to lower prices for our products as they try to improve their operating performance and procure additional capital equipment within their reduced budget levels. To the extent that we lower prices on our products and services, our orders, revenues, and gross margins may be negatively impacted. Additionally, certain emerging markets are particularly sensitive to pricing as a key differentiator. Where price is a primary decision driver, we may not be able to affectively compete or we may chose not to compete due to unacceptable margins.

In addition, the financial crisis may materially adversely affect our suppliers' access to capital and liquidity with which to maintain their inventories, production levels, and/or product quality, could cause them to raise prices or lower production levels, or result in their ceasing operations. Further, with respect to the credit facility discussed under "Liquidity, Capital Resources and Financial Strategies" in Item 7 of this Annual Report on form 10-K, if the global financial crisis adversely affects Silicon Valley Bank, our ability to access the funds available under the credit facility could be materially adversely affected.

The potential effects of these economic factors are difficult to forecast and mitigate. As a consequence, our operating results for a particular period are difficult to predict, and, therefore, prior results are not necessarily indicative of results to be expected in future periods. Any of the foregoing effects could have a material adverse effect on our business, results of operations, and financial condition and could adversely affect our stock price.

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

During fiscal 2012, 2011 and 2010, we recorded charges to reduce the carrying value of our inventory to the lower of cost or market totaling $3.4 million, $14.5 million and $29.6 million, respectively. Such charges equaled 0.8%, 3.2%, and 6.4% of our revenue in fiscal 2012, 2011 and 2010, respectively. These charges were primarily due to excess and obsolete inventory resulting from product transitioning and discontinuance.

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

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

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

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

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

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

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

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

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

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

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

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

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

In some instances, we are dependent upon one or a few sources, either because of the specialized nature of a particular item or because of local content preference requirements pursuant to which we operate on a given project. Examples of sole or limited sourcing categories include metal fabrications and castings, for which we own the tooling and therefore limit our supplier relationships, and MMICs (a type of integrated circuit used in manufacturing microwave radios), which we procure at a volume discount from a single source. Our supply chain plan includes mitigation plans for alternative manufacturing sources and identified alternate suppliers. However, if these alternatives cannot address our requirements when our existing sources of these components fail to deliver them on time, we could suffer delayed shipments, canceled orders, and lost or deferred revenues, as well as material damage to our customer relationships. Should this occur, our operating results, cash flows and financial condition could be adversely affected to a material degree.

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. In addition, if local currencies cannot be hedged, we have an inherent exposure in our ability to convert monies at favorable rates or to U.S. dollars. 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 have seen an increase in the number of our customers experiencing such difficulties since 2008, and we expect that trend to continue if the global economy deteriorates further in 2013. 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, which could also result in a breach of our bank covenants.

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

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

- the jurisdictions in which profits are determined to be earned and taxed;
- adjustments to estimated taxes upon finalization of various tax returns;
- increases in expenses not deductible for tax purposes, including write-offs of acquired in-process research and development and impairment of goodwill in connection with acquisitions;
- changes in available tax credits;

- changes in share-based compensation expense;
- changes in the valuation of our deferred tax assets and liabilities;
- changes in domestic or international tax laws or the interpretation of such tax laws;
- the resolution of issues arising from tax audits with various tax authorities;
- the tax effects of purchase accounting for acquisitions and restructuring charges that may cause fluctuations between reporting periods; and
- taxes that may be incurred upon a repatriation of cash from foreign operations.

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

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

Sales of our products and services historically have been concentrated in a small number of customers. Principal customers for our products and services include domestic and international wireless/mobile service providers, OEMs, as well as private network users such as public safety agencies; government institutions; and utility, pipeline, railroad and other industrial enterprises that operate broadband wireless networks. We had revenue from a single external customer that exceeded 10% of our total revenue during fiscal 2012, 2011 and 2010. 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.

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

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

- seasonality in the purchasing habits of our customers;
- the volume and timing of product orders and the timing of completion of our product deliveries and installations;
- our ability and the ability of our key suppliers to respond to changes on demand as needed;
- margin variability;
- our suppliers' inability to perform and deliver on time as a result of their financial condition, component shortages or other supply chain constraints;
- retention of key personnel;
- our sales cycles can be lengthy;
- litigation costs and expenses;
- continued timely rollout of new product functionality and features;

- increased competition resulting in downward pressures on the price of our products and services;
- unexpected delays in the schedule for shipments of existing products and new generations of the existing platforms;
- failure to realize expected cost improvement throughout our supply chain;
- order cancellations or postponements in product deliveries resulting in delayed revenue recognition;
- seasonality in the purchasing habits of our customers;
- restructuring and organization of our operations;
- war and acts of terrorism;
- natural disasters;
- the ability of our customers to obtain financing to enable their purchase of our products;
- fluctuations in international currency exchange rates;
- regulatory developments including denial of export and import licenses; and
- general economic conditions worldwide that affect demand and financing for microwave telecommunications networks;
- the timing and size of future restructuring plans and write-offs.

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

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 2012, 2011 and 2010, our sales to international customers accounted for 64%, 67% and 67%, respectively, of total revenue. Also, significant portions of our international sales are in less developed countries. Our international sales are likely to continue to account for a large percentage of our products and services revenue for the foreseeable future. As a result, the occurrence of any international, political, economic or geographic event that adversely affects our business could result in a significant decline in revenue. In addition, compliance with complex foreign and U.S. laws and regulations that apply to our international operations increases our cost of doing business in international jurisdictions. These numerous and sometimes conflicting laws and regulations include internal control and disclosure rules, data privacy and filtering requirements, anti-corruption laws, such as the Foreign Corrupt Practices Act, and other local laws prohibiting corrupt payments to governmental officials, and anti-competition regulations, among others. Violations of these laws and regulations could result in fines and penalties, criminal sanctions against us, our officers, or our employees, prohibitions on the conduct of our business and on our ability to offer our products and services in one or more countries, and could also materially affect our brand, our international expansion efforts, our ability to attract and retain employees, our business, and our operating results. Although we have implemented policies and procedures designed to ensure compliance with these laws and regulations, there can be no assurance that our employees, contractors, or agents will not violate our policies.

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

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

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

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

We continue to evaluate our business to determine the potential need to realign our resources as we continue to transform our business in order to achieve desired cost savings in an increasingly competitive market. In prior years, we have undertaken a series of restructuring of our operations involving, among other things and depending on the year, reductions of our workforce, the relocation of our corporate headquarters and the reduction and outsourcing of manufacturing activities. We incurred restructuring charges of $2.3 million, $15.4 million and $7.1 million, respectively, in fiscal 2012, 2011 and 2010.

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 restructuring or that we will not further reduce or otherwise adjust our workforce or exit, or disposal of, certain businesses and protect lines. Any decision to further limit investment, exit, or dispose of businesses may result in the recording of additional restructuring charges. As a result, the costs actually incurred in connection with the restructuring efforts may be higher than originally planned and may not lead to the anticipated cost savings and/or improved results. For example, 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.

In addition, employees, whether or not directly affected by restructuring, may seek employment with our business partners, customers or competitors. We cannot assure you that the confidential nature of our proprietary information will not be compromised by any such employees who terminate their employment with us. Further, we believe that our future success will depend in large part upon our ability to attract, motivate and retain highly skilled personnel. We may have difficulty attracting and retaining such personnel as a result of a perceived risk of future workforce reductions, and we may terminate the employment of employees as part of a restructuring and later determine that such employees were important to the success of the ongoing business.

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,however, if additional relationships are developed, they may not be successful. Furthermore, as we consider increasing licensing revenue based on upgraded technology, we may not be successful in transitioning customers to the planned software upgrades. Our inability to establish or maintain these distribution and licensing relationships could restrict our ability to market our products and thereby result in significant reductions in revenue. If these revenue reductions occur, our business, financial condition and results of operations would be harmed.

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

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

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

Our business is subject to changing regulation of corporate governance, public disclosure, and anti-bribery measures that have resulted in increased costs and may continue to result in additional costs in the future and/or potential liabilities.

We are subject to rules and regulations of federal and state regulatory authorities, The NASDAQ Stock Market LLC and financial market entities charged with the protection of investors and the oversight of companies whose securities are publicly traded, and foreign and domestic legislative bodies. During the past few years, these entities, including the Public Company Accounting Oversight Board, the SEC, NASDAQ, and the government of the United Kingdom, have issued requirements, laws and regulations and continue to develop additional requirements, laws and regulations, such as those in response to laws enacted by Congress, most notably the Sarbanes-Oxley Act of 2002 ("SOX"), and recent laws and regulations regarding bribery and unfair competition. Our efforts to comply with these requirements and regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of substantial management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs potentially necessitated by ongoing revisions to our disclosure and governance practices. Finally, if we are unable to ensure compliance with such requirements, laws, or regulations, we may be subject to costly prosecution and liability, and resulting reputational harm, from such noncompliance.

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

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

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

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

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

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

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

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

We and certain of our 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 stockholders 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 ("MCD"). That action related 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. The actions were consolidated on June 5, 2009 and a consolidated class action complaint was filed on July 29, 2009 ("Dutton").

On May 31, 2011, the Company and the other named defendants entered into a stipulation of settlement ("Stipulation") with respect to the *Dutton* action, pursuant to which the Company caused $8.9 million to be paid into a settlement fund. The entire settlement amount was covered by insurance and was assumed by the insurance company. The hearing for final approval of the settlement took place on September 16, 2011 and the Court entered a judgment and Order of Dismissal with Prejudice on October 11, 2011.

Certain of our former executive officers and directors were named in a complaint filed on July 18, 2011 in the United States District Court for the District of Delaware by plaintiff Howard Taylor. Plaintiff purportedly brought this action derivatively on behalf of Aviat Networks, Inc. which is named as a nominal defendant. Plaintiff brings a claim for breach of fiduciary duty against the officer and director defendants based on the allegations of securities law violation alleged in the class action described above and also alleges that the defendants caused us to acquire MCD at an inflated price. Plaintiff sees to recover unspecified damages and other relief on behalf of Aviat Networks, as well as payment for costs and attorneys' fees. We filed a motion to dismiss on October 3, 2011 and are waiting for the court decision following the hearing on our motion to dismiss which was held on June 4, 2012. We intend to defend our interests in the litigation vigorously. Currently, we are unable to determine whether a loss is probable or to reasonably estimate the loss amount related to this matter. See "Item 3. Legal Proceedings" in this Annual Report on Form 10-K.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

As of June 29, 2012, we lease approximately 319,000 square feet of facilities worldwide, with approximately 61% in North America, mostly in California, Texas and North Carolina. Our corporate headquarters are located in Santa Clara, California, and consist of a building approximately 129,000 square feet. The lease for our headquarters expires in April 2020. We also lease approximately 52,000 square feet of office and assembly facilities in San Antonio and Austin, Texas. Internationally, we lease approximately 125,000 square feet of facilities throughout Europe, Central America, South America, Africa and Asia regions, including offices in Singapore, Slovenia, Philippine Islands, India, Mexico, South Africa, Nigeria, Ivory Coast, France, Kenya, Poland, Australia and Bangladesh. In addition, we own approximately 110,000 square feet of facilities in Wellington, New Zealand and Lanarkshire, Scotland.

During fiscal 2011, we announced the closing of our 60,000 square-foot Morrisville, North Carolina office which formerly served as our headquarters. A sub-tenant for the entire 60,000 square feet of space took occupancy of the premises in early fiscal 2012. We continue to have an on-going lease commitment for this location ending in fiscal 2015. Also during fiscal 2011, we vacated approximately 29,000 square feet of our 40,000 square-foot Bangalore, India facility as result of our moving R&D functions from Bangalore to Trzin, Slovenia. A sub-tenant now occupies all 29,000 square feet of available space. We continue to have an on-going lease commitment for this location ending in fiscal 2013.

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 14. Commitments and Contingencies" of notes to consolidated financial statements, which are included in Item 8 in this Annual Report on Form 10-K.

Item 3. *Legal Proceedings*

Certain of our former executive officers and directors were named in a complaint filed on July 18, 2011 in the United States District Court for the District of Delaware by plaintiff Howard Taylor. Plaintiff purports to bring this action derivatively on behalf of Aviat Networks, which is named as a nominal defendant. Plaintiff brings a claim for breach of fiduciary duty against the officer and director defendants based on the allegations of securities law violations alleged in the class action described above and also alleges that the defendants caused us to acquire MCD at an inflated price. Plaintiff seeks to recover unspecified damages and other relief on behalf of Aviat Networks, as well as payment of costs and attorneys fees. We filed a motion to dismiss on October 3, 2011 and are waiting for the court decision following the hearing on our motion to dismiss which was held on June 4, 2012. We intend to defend our interests in the litigation vigorously. Currently we are unable to determine whether a loss is probable or to reasonably estimate the loss amount related to this matter.

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

Item 4. ***Mine Safety Disclosures***

Not applicable.

PART II

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

Market Information and Price Range of Common Stock

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

According to the records of our transfer agent, as of August 15, 2012, there were approximately 5,295 holders of record of our Common Stock. The following table sets forth the high and low closing prices for a share of our Common Stock on NASDAQ Global Market system for the periods indicated during our fiscal years 2012 and 2011:

	Fiscal 2012		Fiscal 2011	
	High ($)	Low ($)	High ($)	Low ($)
First Quarter	4.21	2.29	4.28	3.46
Second Quarter	2.66	1.62	5.25	4.00
Third Quarter	3.06	1.77	6.37	5.02
Fourth Quarter	2.92	2.39	5.21	3.70

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 $40.0 million credit facility may restrict us from paying dividends or making other distributions to our stockholders under certain circumstances.

Sales of Unregistered Securities

During the fourth quarter of fiscal 2012, we did not issue or sell any unregistered securities.

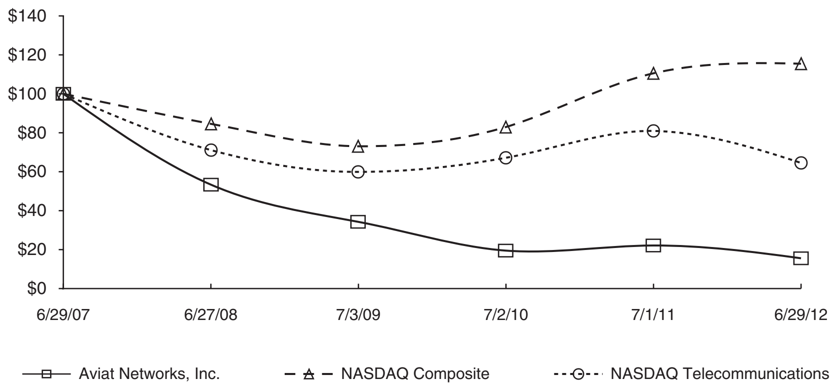
Issuer Repurchases of Equity Securities

During the fourth quarter of fiscal 2012, we did not repurchase any equity securities.

Performance Graph

The following graph and accompanying data compares the cumulative total return on our Common Stock with the cumulative total return of the Total Return Index for The NASDAQ Composite Market (U.S. Companies) and the NASDAQ Telecommunications Index for the five-year period ended June 29, 2012. 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 5 YEAR CUMULATIVE TOTAL RETURN*
Among Aviat Networks, Inc., the NASDAQ Composite Index
and the NASDAQ Telecommunications Index



	6/29/2007	6/27/2008	7/3/2009	7/2/2010	7/1/2011	6/29/2012
Aviat Networks, Inc.	100.00	53.28	34.20	19.47	22.02	15.57
NASDAQ Composite	100.00	84.54	73.03	82.88	110.33	115.30
NASDAQ Telecommunications	100.00	71.08	59.76	66.94	80.70	64.56

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

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Item 6. *Selected Financial Data*

The following table summarizes our selected historical financial information for each of the last five fiscal years that has been derived from our audited consolidated financial statements. Data presented for fiscal years 2012, 2011 and 2010 are included elsewhere in this Annual Report on Form 10-K. This table should be read in conjunction with our other financial information, including "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes, included elsewhere in this Annual Report on Form 10-K.

	Fiscal Years Ended				
	June 29, 2012	**July 1, 2011**	**July 2, 2010**	**July 3, 2009**	**June 27, 2008**
			(In millions)		
Revenue from product sales and services	$444.0	$452.1	$ 465.5	$ 677.9	$718.4
Cost of product sales and services	312.3	324.0	332.7	503.8	528.2
Loss from continuing operations	(15.5)	(58.8)	(108.4)	(348.8)	(11.9)
Net loss	(24.1)	(90.5)	(130.2)	(355.0)	(11.9)
Basic and diluted loss per common share:					
Loss from continuing operations	(0.26)	(1.00)	(1.82)	(5.94)	(0.20)
Net loss	(0.41)	(1.54)	(2.19)	(6.05)	(0.20)

	As of				
	June 29, 2012	**July 1, 2011**	**July 2, 2010**	**July 3, 2009**	**June 27, 2008**
			(In millions)		
Total assets	$329.6	$383.9	$447.0	$600.2	$977.3
Long-term liabilities	16.7	15.1	17.2	17.9	28.1
Total net assets	157.5	177.7	263.2	387.9	748.2

The following table summarizes certain charges, expenses and gains included in our net losses for each of the fiscal years in the five-year period ended June 29, 2012:

	Fiscal Years Ended				
	June 29, 2012	July 1, 2011	July 2, 2010	July 3, 2009	June 27, 2008
			(In millions)		
Goodwill impairment charges	$ 5.6	$ —	$ —	$279.0	$ —
Intangible impairment charges	—	—	57.7	32.6	—
Property, plant and equipment impairment charges	—	—	8.7	3.2	—
Rebranding and transitional costs	—	0.9	8.4	—	—
Charges for product transition, product discontinuances and inventory mark-downs	1.0	6.6	16.9	29.8	14.7
Amortization of purchased technology and intangible assets	2.3	3.4	12.3	12.7	14.6
Restructuring charges	2.3	15.4	7.1	8.2	9.3
Amortization of the fair value adjustments related to fixed assets and inventory	—	0.2	0.6	1.7	2.8
Acquired in-process research and development	—	—	—	2.4	—
Cost of integration activities undertaken in connection with the Stratex merger	—	—	—	—	11.1
Gains from sale of building and Telsima acquisition purchase price settlement	—	—	(2.2)	—	—
NetBoss bad debt expenses and other	0.8	—	—	—	—
Loss on sale of NetBoss assets	—	4.6	—	—	—
Transactional tax assessments	0.6	2.8	—	—	—
Liquidation of entities	—	0.8	—	—	—
Other charges or adjustments	—	(0.9)	—	—	—
Share-based compensation expense	5.2	4.8	3.1	2.9	7.8
	$17.8	$38.6	$112.6	$372.5	$60.3

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

Overview of Business; Operating Environment and Key Factors Impacting Fiscal 2012 and 2013 Results

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand our results of operations and financial condition. MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying notes. In the discussion below, our fiscal year ended June 29, 2012 is referred to as "fiscal 2012" or "2012"; fiscal year ended July 1, 2011 as "fiscal 2011" or "2011" and fiscal year ended July 2, 2010 as "fiscal 2010" or "2010."

We generate revenue by designing, developing, manufacturing and supporting a range of wireless networking products, solutions and services for mobile and fixed communications service providers, private network operators, government agencies, transportation and utility companies, public safety agencies and broadcast system operators across the globe. Our products include point-to-point (PTP) digital microwave transmission systems designed for first/last mile access, middle mile/backhaul, and long distance trunking applications. We also provide network management software solutions to enable operators to deploy, monitor and manage our systems, third party equipment such as antennas, routers, and multiplexers, necessary to build and deploy a wireless transmission network, and a full suite of turnkey support services.

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

Our strategic focus in the next fiscal year will be to continue to accelerate innovation and optimize our product portfolio, improve costs and operational efficiencies, grow our revenue and create a sustainable, profitable business model. To do this, we have examined our products, markets, facilities, development programs, and operational flows to ensure we are focused on what we do well and what will differentiate us in the future. We will continue working to streamline management processes to attain the efficiency levels required by the markets in which we do business.

Seasonality is a factor that impacts our business. 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 in this Annual Report on Form 10-K.

Operations Review

During fiscal 2012, we secured orders and expanded our footprint with our customers in the mobile operator market using our current technology and service capabilities. We believe that there is steady growth in this market and that it will continue growing over the long term as mobile operators build network capacity to address increasing demands for bandwidth, tempered by the global financial and economic environment. In order to significantly expand our mobile operator customer base and displace competitors we plan to bring our next generation of products to market in the next fiscal year. The signs of growth in non-mobile operator market segments exist today, mostly in North America, but increasingly in other parts of the world. Typical applications of our products are in utility and public safety networks where the emphasis is on quality, service, reliability and network security.

During September 2011, one of our contract manufacturers in Thailand was affected by flooding in that country. Our logistics and supply chain staff worked closely with that supplier and jointly were successful in mitigating and minimizing the delivery impact to our customers during the second and third quarters of fiscal 2012. We are now satisfied that this contract manufacturer has recovered from this event and that future deliveries to us will not be affected adversely as a result of the floods.

We completed the sale of our former WiMAX business to EION on September 2, 2011. The sale of the WiMAX business was part of our strategic plan to streamline our business and focus our time and resources on growing our core microwave business to better position us for long-term success. We worked with EION on the transition of the business which was completed during fiscal 2012.

We began accounting for the WiMAX business as a discontinued operation in the third quarter of fiscal 2011. The discussions of our revenue, gross margin, operating expenses and income taxes have excluded the WiMAX business results, which are discussed separately under "Loss from Discontinued Operations" below.

In the second quarter of fiscal 2012, we performed a goodwill impairment analysis due to a significant decline in our market capitalization, which was considered as a goodwill impairment indicator. Based on the results of the impairment analysis, we recorded a $5.6 million goodwill impairment charge in the second quarter of fiscal 2012 and no longer have any goodwill on our balance sheet.

During fiscal 2012, we continued restructuring activities to reduce our operational costs and have substantially completed our initiatives under the Fiscal 2011 Plan as of June 29, 2012. We intend to wind down certain remaining restructuring activities under the Fiscal 2011 Plan in fiscal 2013.

In the fourth quarter of fiscal 2012, we re-evaluated our reportable segments primarily due to changes in our management, transition of our products to a common product platform across all geographies, streamlining of our business and substantial completion of our restructuring plan in fiscal 2012. The Chief Operating Decision Maker ("CODM"), which is our Chief Executive Officer, manages our business primarily by function globally and reviews financial information on a consolidated basis, accompanied by disaggregated information about revenues by geographic region, for purposes of allocating resources and evaluating financial performance. The profitability of our former geographic segments is not a determining factor in allocating resources and the CODM does not evaluate profitability below the level of the consolidated company. As such we determined that we operate in one single reportable industry segment as of June 29, 2012. Prior years information has been recast to conform with the current reportable segment disclosure.

Revenue

We manage our sales activities primarily on a geographic basis in North America and three international geographic regions: Africa and Middle East, Europe and Russia, and Latin America and Asia Pacific. Beginning with the first quarter of fiscal 2012, in order to better align our internal reporting with the activities in our international business organizations, we changed our internal operational review of revenue by region by separating the Middle East region from Europe and Russia and grouping it with Africa. Revenue by region for fiscal 2011 and 2010 has been reclassified to reflect this change. Revenue by region for fiscal 2012, 2011 and 2010 and the related changes are shown in the table below:

	Fiscal Year			$ Change		% Change	
(In millions, except percentages)	2012	2011	2010	2012 /2011	2011 /2010	2012 /2011	2011 /2010
North America	$164.9	$160.4	$174.8	$ 4.5	$(14.4)	2.8%	(8.2)%
International:							
Africa and Middle East	147.7	143.6	162.8	4.1	(19.2)	2.9%	(11.8)%
Europe and Russia	53.6	73.4	46.4	(19.8)	27.0	(27.0)%	58.2%
Latin America and Asia Pacific	77.8	74.7	81.5	3.1	(6.8)	4.1%	(8.3)%
Total International	279.1	291.7	290.7	(12.6)	1.0	(4.3)%	0.3%
Total Revenue	$444.0	$452.1	$465.5	$ (8.1)	$(13.4)	(1.8)%	(2.9)%

While revenue increased in North America in fiscal 2012 compared with fiscal 2011, we experienced a decrease in our international revenue. We saw improved sales with North American wireless network operators during the year compared to fiscal 2011. We attribute this to the ongoing buildout of LTE capable networks in the region. At the same time, business with utilities, state and local government private networks also remained strong in North America. We also saw growth in demand for our network services and support in the region. The decrease in the international revenue came from the absence of demand from customers in Russia who took substantial deliveries in fiscal 2011, along with the wind-down of equipment deliveries for a major project in the Middle East. Sales to wireless network operators remained strong, but varied by customer in the international markets. We saw better than expected sales in Asia Pacific and experienced substantially increased sales with our long-term customers in Africa, offsetting the reduced volume in the Middle East.

During fiscal 2012, the MTN Group in Africa accounted for 17% of our total revenue compared with 14% in fiscal 2011 and 17% in fiscal 2010. We have entered into separate and distinct contracts with MTN Group as well as separate arrangements with MTN Group subsidiaries. None of such 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.

North America

Our revenue in North America increased $4.5 million, or 2.8%, in fiscal 2012 compared with fiscal 2011. We have seen substantial changes in product mix of our sales in this region from year to year. The bulk of our product revenue in North America now comes from our Eclipse product platform, whereas in the first half of fiscal 2011, our legacy products made up a significant portion of the region's sales. The revenue growth and product mix changes reflect continued success in transitioning our customer base to the new product platform as well as an increase in our services business from major customers in fiscal 2012.

Our revenue in North America decreased by $14.4 million, or 8.2%, in fiscal 2011 compared with fiscal 2010. That decline was primarily attributable to reduced sales of our legacy product lines in the first half of fiscal 2011 when compared with the same period in fiscal 2010. Fiscal 2011 was a transition year for us as we completed the last deliveries of legacy products and our marketing and selling efforts were focused on our new product platform. Early in fiscal 2011 we experienced production issues which slowed the progress in transitioning sales to our new product platform. But by mid-year, we had overcome those issues and the new platform sales increased significantly from the first quarter to the fourth quarter of fiscal 2011.

International

Our international revenue declined $12.6 million, or 4.3%, in fiscal 2012 compared with fiscal 2011. Our business in Asia and Latin America showed improvement for fiscal 2012 from increased orders from network operators. However, our sales in Europe and Russia were down from fiscal 2011 primarily due to the reduction of business with a major customer in Russia, that was offset in part by increased orders and sales to wireless network operators in other European countries. Africa continues to be our strongest international sector, where we continue to compete successfully for wireless infrastructure business of large network operators, particularly in West Africa.

Our international revenue increased by $1.0 million, or 0.3%, in fiscal 2011 compared with fiscal 2010. Revenue from sales to wireless operators in Russia and France were substantially improved in fiscal year 2011 over the previous year. Those gains were offset in part by declines in revenue from customers in Africa and the Asia Pacific regions. We experienced strong price competition in all regions during the year and attribute the decrease in revenue in Africa and the Asia Pacific regions to reduced prices, as unit volumes were steady or up from fiscal 2010.

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Gross Margin

(In millions, except percentages)	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	$ Change 2012 /2011	$ Change 2011 /2010	% Change 2012 /2011	% Change 2011 /2010
Revenue	$444.0	$452.1	$465.5	$ (8.1)	$(13.4)	(1.8)%	(2.9)%
Cost of revenue	312.3	324.0	332.7	(11.7)	(8.7)	(3.6)%	(2.6)%
Gross margin	$131.7	$128.1	$132.8	$ 3.6	$ (4.7)	2.8%	(3.5)%
% of revenue	29.7%	28.3%	28.5%				

The general business trends of strong price competition for new business in all regions and major customer consolidations continue to put pressure on our gross margin.

Gross margin for fiscal 2012 increased $3.6 million, or 2.8%, compared with fiscal 2011. Gross margin as a percentage of revenue increased 1.4% compared with fiscal 2011. While gross margin was in line with expectations for the year, the year-over-year improvement was primarily due to the absence in the current year period of a $6.0 million one-time charge related to manufacturing overhead that we recorded in the first quarter of fiscal 2011 and the absence of large inventory write-downs which we incurred in fiscal 2011 as we transitioned out of the legacy products.

Prior to fiscal 2011, we capitalized most of the costs associated with our internal manufacturing operations as a component of the overall cost of product inventory. Beginning in the first quarter of fiscal 2011, we shifted the manufacturing of our products primarily to contract manufacturers and completed the transfer by the end of fiscal 2011. Accordingly, the costs associated with our internal operations organization are now expensed as incurred. Gross margin in fiscal 2011 was negatively affected by the immediate expensing of $6.0 million of such previously capitalized costs in the first quarter of fiscal 2011.

Exclusive of the net impact from these charges, the gross margin and gross margin as a percentage of revenue in fiscal 2012 were lower than fiscal 2011 due to competitive pricing pressures and a small shift in the mix of our business toward services, which caused a small decline in the fiscal 2012 gross margin rate. In the long run, we anticipate an improvement in gross margin as a percentage of revenue as a result of the transition to our next generation products.

Gross margin for fiscal 2011 decreased $4.7 million, or 3.5%, compared with fiscal 2010. Gross margin as a percentage of revenue also decreased 0.2% compared with fiscal 2010. The decrease was primarily due to the $6.0 million one-time charge related to manufacturing overhead and the large inventory write-downs incurred in fiscal 2011 as mentioned above, partially offset by a $6.5 million decrease in amortization of purchased technology due to lower intangible asset balances in fiscal 2011 resulting from a $49.5 million impairment of such assets in the fourth quarter of fiscal 2010.

Research and Development Expenses

(In millions, except percentages)	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	$ Change 2012 /2011	$ Change 2011 /2010	% Change 2012 /2011	% Change 2011 /2010
Research and development expenses	$36.0	$40.5	$31.1	$(4.5)	$9.4	(11.1)%	30.2%
% of revenue	8.1%	9.0%	6.7%				

Our research and development ("R&D") expenses declined $4.5 million, or 11.1%, in fiscal 2012 compared with fiscal 2011. As a percentage of revenue, R&D expenses also decreased to 8.1% in fiscal 2012 from 9.0% in fiscal 2011. The decrease in R&D expenses of $4.5 million, consisting mostly of personnel expenses, was primarily due to restructuring of our research and development workforce in prior years. In addition, share-based compensation expense in fiscal 2011 was higher by $1.0 million due to vesting of performance shares upon the achievement of new product development milestones in fiscal 2011. We continue to invest in new product features, new functionality and lower cost platforms that we believe will enable our product lines to retain their technology leads in a cost effective manner.

Our R&D expenses increased $9.4 million in fiscal 2011 compared with fiscal 2010. As a percentage of revenue, R&D expenses also increased to 9.0% in fiscal 2011 from 6.7% in fiscal 2010. The increase in R&D expenses was primarily attributable to investments in new product innovation by increasing R&D headcount in our core business, and an increase in share-based compensation related to the vesting of performance shares upon the achievement of new product development milestones in fiscal 2011.

Selling and Administrative Expenses

	Fiscal Year			$ Change		% Change	
(In millions, except percentages)	**2012**	**2011**	**2010**	**2012 / 2011**	**2011 / 2010**	**2012 / 2011**	**2011 / 2010**
Selling and administrative expenses	$98.9	$104.0	$134.7	$(5.1)	$(30.7)	(4.9)%	(22.8)%
% of revenue	22.3%	23.0%	28.9%				

Our selling and administrative expenses declined $5.1 million, or 4.9%, in fiscal 2012 compared with fiscal 2011. The decrease was due primarily to a $2.6 million reduction in sales and administrative compensation expenses and a $0.4 million decrease in facility expenses as a result of the restructuring programs we implemented over the past two years, a $2.0 million decrease in agent commission expenses driven by lower fee-based revenues, and a decrease of $1.1 million in expenses for information technology projects, partially offset by an increase of $1.3 million in share-based compensation. We will continue to seek ways to improve our operating efficiency in fiscal 2013.

Our selling and administrative expenses declined $30.7 million, or 22.8%, in fiscal 2011 compared with fiscal 2010. The significant decrease in fiscal 2011 was due primarily to reductions in compensation expenses resulting from the restructuring plan implemented in prior years and the sale of NetBoss assets, the absence of sales commissions incurred for a large contract with a customer in fiscal 2010, and absence of expenses related to rebranding and transitional costs incurred in fiscal 2010 due to corporate name change and costs to phase-out transitional services agreement with Harris. The following table summarizes the significant decreases to our selling and administrative expenses comparing fiscal 2011 with fiscal 2010:

	Amount
	(In millions)
Decrease in personnel expenses from reductions in force	$(10.9)
Decrease in commissions paid to sales agents	(4.1)
Decrease from lower expenses incurred on information technology projects	(3.9)
Decrease in amortization of software costs	(2.9)
Decrease due to lower expenses incurred as a result of sale of NetBoss assets	(1.9)
Decrease in executive severance for former CEO	(1.8)
Decrease due to absence of rebranding and transitional costs incurred in fiscal 2010	(1.3)
Other, net	(3.9)
	$(30.7)

Restructuring Charges

During the first quarter of fiscal 2011, we initiated a restructuring plan (the “Fiscal 2011 Plan”) to reduce our operational costs. The Fiscal 2011 Plan was intended to bring our cost structure in line with the changing business environment of the worldwide microwave radio and telecommunication markets, primarily in North America, Europe and Asia. Activities under the Fiscal 2011 Plan included the downsizing or closures of our Morrisville, North Carolina, Canada and certain international field offices, and reductions in force to reduce our operating expenses.

Earlier in fiscal 2009, we commenced a restructuring plan (the "Fiscal 2009 Plan") to reduce our workforce in the U.S., France, Canada and other locations throughout the world and outsource our San Antonio manufacturing operations to a third party in Austin, Texas. The Fiscal 2009 Plan has been completed as of the end of fiscal 2011.

Our restructuring charges by plan for fiscal 2012, 2011 and 2010 are summarized in the table below:

	Fiscal Year			$ Change		% Change	
(In millions, except percentages)	**2012**	**2011**	**2010**	**2012 /2011**	**2011 /2010**	**2012 /2011**	**2011 /2010**
Restructuring	$ 2.3	$15.4	$ 7.1	$(13.1)	$ 8.3	(85.1)%	116.9%
By Plan:							
Fiscal 2011 Plan	$ 2.3	$12.7	$—	$(10.4)	$12.7	(81.9)%	N/A
Fiscal 2009 Plan	$—	$ 2.7	$ 7.1	$ (2.7)	$ (4.4)	(100.0)%	(62.0)%

Restructuring charges declined significantly by $13.1 million in fiscal 2012 compared with fiscal 2011, and increased $8.3 million in fiscal 2011 compared with fiscal 2010. The changes were due to the completion of Fiscal 2009 Plan in fiscal 2011 and the fact that major restructuring activities under the Fiscal 2011 Plan, such as the downsizing of our Morrisville, North Carolina office, occurred in fiscal 2011. Our restructuring expenses consisted primarily of severance and related benefit charges, and to a lesser extent, facilities costs related to obligations under non-cancelable leases for facilities that we ceased to use.

As of June 29, 2012, we have substantially completed our initiatives under the Fiscal 2011 Plan and expect to wind down certain remaining restructuring activities under this plan in fiscal 2013.

Other Income (Loss), Interest Income and Interest Expense

	Fiscal Year		
(In millions)	**2012**	**2011**	**2010**
Loss on sale of NetBoss assets	$—	$(4.6)	$—
Other income (loss), net	(0.6)	(3.6)	1.2
Interest income	0.6	0.3	0.3
Interest expense	(1.3)	(2.2)	(2.2)

During fiscal 2011, we incurred $4.6 million of loss on the sale of NetBoss assets. Other expenses for fiscal 2012 and 2011 consisted primarily of transactional tax assessments related to certain international entities. Other income for fiscal 2010 was related to a gain of $1.2 from final settlement of the Telsima acquisition purchase price during fiscal 2010.

Interest expense was primarily related to preference dividends on our $8.25 million redeemable preference shares and interest associated with borrowings, term loan and letters of credit under our credit facilities. The $8.25 million preference shares were redeemed at their carrying value on January 30, 2012, funded by a two-year term loan of $8.25 million under our credit facility at a fixed interest rate of 5% per annum.

Income Taxes

	Fiscal Year			$ Change	
(In millions, except percentages)	**2012**	**2011**	**2010**	**2012 /2011**	**2011 /2010**
Loss from continuing operations before income taxes	$(14.0)	$(44.7)	$(112.2)	$ 30.7	$67.5
Provision for (benefit from) income taxes	$ 1.5	$ 14.1	$ (3.8)	$(12.6)	$17.9
% of loss from continuing operations before income taxes	(10.7)%	(31.5)%	3.4%		

The income tax expense from continuing operations for fiscal year 2012 was $1.5 million. The variation between our income tax expense from continuing operations and income tax benefit at the statutory rate of 35% on our pre-tax loss of $14.0 million was primarily attributable to losses in tax jurisdictions in which we cannot recognize a tax benefit. The tax expense for fiscal year 2012 of $1.5 million was primarily attributable to profitable foreign entities for which we have accrued income taxes.

The income tax expense from continuing operations for fiscal year 2011 was $14.1 million. The variation between our income tax expense from continuing operations of $14.1 million and income tax benefit at the statutory rate of 35% on our pre-tax loss of $44.7 million was primarily due to an $11.3 million increase in valuation allowance for Singapore deferred tax assets as of the beginning of fiscal 2011 and a $1.4 million foreign branch withholding tax accrual. The expense was partially offset by a valuation allowance release of $1.6 million on Mexico deferred tax assets as of the beginning of fiscal year 2011.

The income tax benefit from continuing operations for fiscal 2010 was $3.8 million. The variation between our income tax benefit from continuing operations and income tax benefit at the statutory rate of 35% on our pre-tax loss of $112.2 million million was primarily due to a $4.4 million one-time benefit recognized for U.S. federal income tax loss carryback under the Worker, Homeownership and Business Assistance Act of 2009. This benefit was partially offset by a full valuation allowance on all domestic deferred tax assets created in fiscal 2010. The effective tax rate for fiscal 2010 primarily reflected the benefits of earnings and losses of foreign subsidiaries taxed at lower rates and a dividend from a foreign subsidiary.

Loss from Discontinued Operations

	Fiscal Year			$ Change	
(In millions)	**2012**	**2011**	**2010**	**2012 /2011**	**2011 /2010**
Loss from discontinued operations, net of tax	$(8.6)	$(31.7)	$(21.8)	$23.1	$(9.9)

Our discontinued operations consist of the WiMAX business, which was sold to EION on September 2, 2011. The loss from discontinued operations decreased $23.1 million in fiscal 2012 compared with fiscal 2011. The decrease resulted primarily from the absence of large charges for provisions for excess and obsolete inventories and noncancellable purchase commitments which we incurred in fiscal 2011 when we decided to exit the WiMAX business, partially offset by higher WiMAX revenue in fiscal 2011. In addition, we recorded a $1.9 million loss on disposition in fiscal 2012 and a $9.5 million impairment charge on WiMAX assets held for sale in fiscal 2011, which were included in our loss on discontinued operations for the respective years.

The increase of loss in fiscal 2011 as compared with fiscal 2010 was primarily due to a $13.1 million lower gross margin resulting mainly from provisions for excess and obsolete inventories and non-cancelable purchase commitments, partially offset by $7.6 million decreases in operating expenses resulting from reduction of employee headcount related to WiMAX product development and support. The loss in fiscal 2011 also included a $9.5 million loss on WiMAX held for sale assets and the loss in fiscal 2010 included $5.5 million impairment charges on developed technology and intangible assets.

Liquidity, Capital Resources and Financial Strategies

Sources of Cash

As of June 29, 2012, our total cash and cash equivalents were $96.0 million. Approximately $25.3 million, or 26.4% of our total cash and cash equivalents, was held by entities domiciled in the United States. The remaining balance of $70.7 million or 73.6% was held by entities outside the United States, primarily in Singapore and Nigeria. A portion of the non-U.S. cash and cash equivalents is utilized for working capital and other operating purposes. We are not aware of any local regulatory requirements in these countries that significantly restrict the ability of our operations to repatriate the excess cash generated by our foreign operations. However, there are practical limitations on repatriation of cash to the U.S. from these countries because of the resulting withholding and other taxes.

As of June 29, 2012, our principal sources of liquidity consisted of the $96.0 million in cash and cash equivalents, $20.1 million of available credit under our current $40.0 million credit facility with Silicon Valley Bank ("SVB"), and cash collections from customers. We regularly require letters of credit from some customers who request extended payment terms up to one year or more. These letters of credit are generally discounted without recourse shortly after shipment occurs in order to meet immediate liquidity requirements and to reduce our credit and sovereign risk. Historically our primary sources of liquidity have been cash flows from operations, credit facilities and cash proceeds from sale of our equity securities. During fiscal 2012, our total cash and cash equivalents decreased by $2.2 million primarily due to $5.9 million of cash used on capital expenditures, $1.5 million of cash used related to the disposition of the WiMAX business and $1.4 million repayment on our long-term loan, partially offset by cash provided by operating activities.

Cash provided by operating activities was $8.4 million in fiscal 2012 primarily due to our net loss, adjusted for non-cash items, and a decrease in receivables of $38.4 million, partially offset by a year-to-date decrease in accounts payable and accrued expenses of $24.5 million and an increase in inventory of $7.6 million. Our accounts receivable decreased significantly during fiscal 2012 primarily due to strong cash collections from customers during the period. The decrease in accounts payable was primarily due to timing of payments to our contract manufacturers and suppliers. We also paid $5.1 million in cash during fiscal 2012 for restructuring liabilities. The increase in our inventory was due to an increase in finished goods to meet customer demands for shipments in the first quarter of fiscal 2013. During fiscal year 2013, we expect to spend approximately $10.0 million for capital expenditures. We currently believe that our existing cash and cash equivalents, the available line of credit under the SVB facility and future cash collections from customers 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.

Available Credit Facility, Borrowings and Repayment of Debt

As of June 29, 2012, we had $20.1 million of credit available under our $40.0 million revolving credit facility with SVB. The total amount of revolving credit available was $40.0 million less $12.9 million in outstanding long-term borrowings and $7.0 million in outstanding standby letters of credit issued under the SVB facility.

In an amendment to the facility effective November 2, 2011, the commitment of $40.0 million under the facility was extended to expire on February 28, 2014 and provides for (1) demand borrowings at the prime rate published in the *Wall Street Journal*, (2) fixed term Eurodollar loans for up to six months at LIBOR plus a spread of between 2.00% to 2.75% based on the company's current leverage ratio, (3) a two-year term loan in the amount of $8.25 million at a fixed rate of 5% per annum expiring on January 31, 2014, and (4) the issuance of standby or commercial letters of credit. As of June 29, 2012, we had $6.0 million demand borrowings under the credit facility which we do not expect to repay within the next fiscal year. The term loan drawn on January 30, 2012 is repaid in 24 equal monthly installments of principal plus accrued interest commencing February 29, 2012. The SVB facility contains a minimum liquidity ratio covenant and a minimum profitability covenant and is secured by certain of the company's assets including accounts receivable, inventory, and equipment. The facility also imposes certain restrictions on our ability to pay dividends or make distributions to our stockholders under certain circumstances.

Based on financial covenants included as part of the amended SVB credit facility, we must maintain, as measured at the last day of each fiscal quarter beginning September 30, 2011, (1) no less than a minimum liquidity ratio of 1.50 to 1 (defined as the ratio of total domestic unrestricted cash and cash equivalents plus short-term and long-term marketable securities plus the lesser of 25% of eligible accounts receivable or $12.5 million to total obligations outstanding with the bank) and (2) minimum consolidated EBITDA measured for each fiscal quarter. As of June 29, 2012, we were in compliance with these financial covenants.

Redemption of Redeemable Preference Shares

On June 30, 2011, we entered into an agreement with Harris Corporation for the early redemption of the preference shares issued by our Singapore subsidiary and held by Harris and another stockholder. The shares were redeemed on January 30, 2012, the fifth anniversary of their issuance, at their total face value of $8.25 million, with the proceeds of a two-year long-term loan under the terms of an amendment to the SVB credit facility, as discussed above.

Restructuring Payments

We have a liability for restructuring activities totaling $2.2 million as of June 29, 2012, $1.5 million of which is classified as current liability and expected to be paid out in cash over the next year. Additionally, we expect to incur approximately $1.4 million of additional charges from our restructuring activities in fiscal 2013. We expect to fund these future payments with available cash and cash flow provided by operations.

Contractual Obligations

As of June 29, 2012, cash payments due under our contractual obligations are estimated as follows:

	Obligations Due by Fiscal Year					
(In millions)	**Total**	**2013**	**2014-2015**	**2016-2017**	**After 2017**	**Other**
Demand borrowings	$ 6.0	$ —	$ 6.0	$—	$—	$—
Long-term debt	6.9	4.1	2.8	—	—	—
Interest on long-term debt(1)(4)	0.3	0.2	0.1	—	—	—
Purchase obligations(2)(4)	44.9	43.7	1.2	—	—	—
Operating lease commitments(4)	27.8	5.6	8.1	6.1	8.0	—
Less: sublease proceeds(4)	(1.5)	(0.8)	(0.7)	—	—	—
Liabilities for uncertain tax positions(3)	4.2	—	—	—	—	4.2
Total contractual cash obligations	$88.6	$52.8	$17.5	$ 6.1	$ 8.0	$ 4.2

(1) The interest rate is 5% per annum on the two-year term loan expiring on January 31, 2014.

(2) 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.

(3) Liabilities for uncertain tax positions of $4.2 million were included in long-term liabilities in the consolidated balance sheet. At this time, we are unable to make a reasonably reliable estimate of the timing of payments related to this amount due to uncertainties in the timing of tax audit outcomes.

(4) These items are not recorded on our balance sheet.

Commercial Commitments

We have entered into commercial commitments in the normal course of business including surety bonds, standby letters of credit and other arrangements with financial institutions and insurers primarily relating to the guarantee of future performance on certain tenders and contracts to provide products and services to customers. As of June 29, 2012, we had commercial commitments on outstanding surety bonds and standby letters of credit as follows:

	Expiration of Commitments by Fiscal Year				
(In millions)	**Total**	**2013**	**2014**	**2015**	**After 2015**
Standby letters of credit used for:					
Bids	$ 0.3	$ 0.3	$—	$ —	$—
Down payments	0.3	0.2	—	—	0.1
Performance	7.0	6.2	0.7	0.1	—
	7.6	6.7	0.7	0.1	0.1
Surety bonds used for:					
Bids	0.2	0.2	—	—	—
Tax and payment guarantees	5.5	0.9	4.6	—	—
Performance	75.4	58.2	—	17.2	—
	81.1	59.3	4.6	17.2	—
Total commercial commitments	$88.7	$66.0	$ 5.3	$17.3	$ 0.1

As we have not historically had to pay out on any of our performance guarantees, the outstanding commercial commitments have not been recorded on our consolidated balance sheet.

Off-Balance Sheet Arrangements

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

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

Currently we are not participating in transactions that generate relationships with unconsolidated entities or financial partnerships, including variable interest entities, and we do not have any material retained or contingent interest in assets as defined above. As of June 29, 2012, 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 the downsizing of certain of our operations pursuant to divestitures, restructuring plans or otherwise, some 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 not likely to be individually or in the aggregate 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 conduct business globally in numerous currencies and are therefore exposed to foreign currency risks. We use derivative instruments to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates. We do not hold nor issue derivatives for trading purposes or make speculative investments in foreign currencies.

We use foreign exchange forward contracts to hedge forecasted foreign currency transactions relating to forecasted sales and purchase transactions. These derivatives are designated as cash flow hedges and are carried at fair value. The effective portion of the gain or loss is initially reported as a component of accumulated other comprehensive income (loss), and upon occurrence of the forecasted transaction, is subsequently reclassified into the income or expense line item to which the hedged transaction relates. We also enter into foreign exchange forward contracts to mitigate the change in fair value of specific non-functional currency assets and liabilities on the balance sheet. All balance sheet hedges are marked to market through earnings every period. Changes in the fair value of these derivatives are largely offset by re-measurement of the underlying assets and liabilities.

As of June 29, 2012, we had foreign currency forward contracts outstanding with a total net notional amount of $17.7 million consisting of 13 different currencies. The following is a summary of the net notional amount of our outstanding contracts grouped by the underlying foreign currency as of June 29, 2012:

Currency	Contract Net Amount (Local Currency)	Net Notional Contract Amount (USD)
	(In millions)	
Australian dollar	3.6	$ 3.6
Canadian dollar	(1.1)	(1.0)
Euro	5.1	6.5
Philippine peso	(121.5)	(2.9)
Polish zloty	11.0	3.2
Thailand baht	34.4	1.1
Republic of South Africa rand	58.7	7.1
Other currencies	N/A	0.1
Total of all currency forward contracts		$17.7

Net foreign exchange (losses) gains recorded in our consolidated statements of operations during fiscal 2012, 2011 and 2010 totaled $(1.5) million, $(2.6) million and $0.3 million, respectively. A 10% adverse change in currency exchange rates for our foreign currency derivatives held as of June 29, 2012 would have an impact of approximately $2.9 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.

Approximately 21% of our international business was transacted in non-U.S. dollar currency environments in fiscal 2012 compared with 18% in fiscal 2011. As discussed above, we utilize foreign currency hedging instruments to minimize the currency risk of international transactions. The impact of translating the assets and liabilities of foreign operations to U.S. dollars is included as a component of stockholders' equity. As of June 29, 2012, the cumulative translation adjustment decreased our stockholders' equity by $4.0 million compared with a decrease of $2.6 million as of July 1, 2011.

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Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our cash equivalents and long-term debt borrowings under our SVB credit facilities.

Exposure on Cash Equivalents

We had \$96.0 million in total cash and cash equivalents as of June 29, 2012. Cash equivalents totaled \$61.8 million as of June 29, 2012 and were comprised of money market funds and certificates of deposit. Cash equivalents have been recorded at fair value on our balance sheet.

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.

The primary objective of our short-term investment activities is to preserve principal while maximizing yields, without significantly increasing risk. Our cash equivalents earn interest at fixed rates; therefore, changes in interest rates will not generate a gain or loss on these investments unless they are sold prior to maturity. Actual gains and losses due to the sale of our investments prior to maturity have been immaterial. The weighted average days to maturity for cash equivalents held as of June 29, 2012 was two days, and these investments had an average yield of 0.16% per annum. A 10% change in interest rates on our cash and cash equivalents is not expected to have a material impact on our financial position, results of operations or cash flows.

Exposure on Borrowings

During fiscal 2012, we had \$6.0 million of demand borrowings outstanding under our \$40.0 million revolving credit facility that incurred interest at the prime rate. We also recorded interest on our \$8.3 million long-term borrowing drawn on January 30, 2012 at the fixed rate of 5% per annum. During fiscal 2012, our weighted average interest rate was 3.85% and we 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 is not expected to have a material impact on our financial position, results of operations or cash flows since interest on our borrowings is not material to our overall financial position.

Critical Accounting Estimates

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

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

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

- Revenue recognition
- Inventory valuation and provision for excess and obsolete inventory losses
- Impairment of goodwill, identifiable intangible assets and long-lived assets
- Income taxes and tax valuation allowances

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

The following is not intended to be a comprehensive list of all of our accounting policies or estimates. Our significant accounting policies are more fully described in "Note 1. The Company and Summary of 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 those accounting policies. We consider the estimates discussed below as critical to an understanding of our financial statements because their application places the most significant demands on our judgment, with financial reporting results relying on estimates about the effect of matters that are inherently uncertain.

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

Revenue Recognition

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

Revenue is recognized when all of the following criteria have been met:

- Persuasive evidence of an arrangement exists. Contracts and customer purchase orders are generally used to determine the existence of an arrangement.
- Delivery has occurred. Shipping documents and customer acceptance, when applicable, are used to verify delivery.
- The fee is fixed or determinable. We assess whether the fee is fixed or determinable based on the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment.

- Collectability is reasonably assured. We use judgment to assess collectability based primarily on the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history.

We often enter into multiple contractual agreements with the same customer. Such agreements are reviewed to determine whether they should be evaluated as one arrangement. If an arrangement, other than a long-term contract, requires the delivery or performance of multiple deliverables or elements, we determine whether the individual elements represent "separate units of accounting". The determination as to whether multiple contractual agreements should be evaluated as one arrangement and the identification of units of accounting in an arrangement requires significant judgment and impacts the amount of product and service revenue recognized in a given period.

In accordance with ASC 605-25, based on the terms and conditions of the product arrangements, we believe that our products and services can be accounted for separately as our products and services have value to our customers on a stand-alone basis. Accordingly, amounts related to services not yet performed at the time of product shipment are deferred based on their relative selling price and recognized as revenue as such services are performed. The relative selling price of any undelivered products is also deferred at the time of shipment and recognized as revenue when these products are delivered. There is generally no customer right of return in our sales agreements. The sequence for typical multiple element arrangements is as follows: we deliver our products, perform installation services and then provide post-contract support services.

Vendor-specific objective evidence ("VSOE") of fair value is based on the price charged when the element is sold separately. For multiple element arrangements, if VSOE cannot be established, we establish, where available, the selling price based on third-party evidence ("TPE"). TPE requires judgment and is determined based on evidence of competitor pricing for similar deliverables when sold separately. When we cannot determine VSOE or TPE which is typically the case, we use the estimated selling price ("ESP") in our allocation of arrangement consideration. The objective of ESP is to determine the price at which we would typically transact a stand-alone sale of the product or service. In determining ESP, we apply significant judgment as we weigh a variety of factors including our pricing policies, internal costs and gross margin objectives, method of distribution, information gathered from experience in customer negotiations, market research and information, recent technological trends, competitive landscape and geographies. The determination of ESP is approved by our management taking into consideration our pricing strategy. We regularly review VSOE, TPE and ESP and maintain internal controls over the establishment and updates of these estimates. We do not expect a material impact in future periods from changes in VSOE, TPE or ESP.

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

Inventory Valuation and Provisions for Excess and Obsolete Losses

Our inventories have 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, and new product introductions. Beginning in the first quarter of fiscal 2011, the manufacturing of our products was handled primarily by contract manufacturers. Our contract manufacturers procure components and manufacture our products based on our forecast of product demand. 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, the stage of the product life cycle, anticipated end of product life and production requirements. During fiscal 2012, 2011 and 2010, we recorded charges to reduce the carrying value of our inventories to the lower of cost or market totaling \$3.4 million, \$14.5 million and \$29.6 million, respectively. Such charges equaled 0.8%, 3.2%, and 6.4% of our revenue in fiscal 2012, 2011 and 2010, respectively. The review of excess and obsolete inventory primarily relates to the microwave business. Several factors may influence the sale and use of our inventories, including decisions to exit a product line, technological change, new product development and competing product offerings. 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 quarter, such reduced amount is considered the new lower cost basis for subsequent accounting purposes, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis. We did not make any material changes in the valuation methodology during the past three fiscal years.

Our customer service inventories are stated at the lower of cost or market. We carry service parts because we generally provide product warranty for 12 to 24 months and earn revenue by providing enhanced and extended warranty and repair service during and beyond this warranty period. Customer service inventories consist of both component parts, which are primarily used to repair defective units, and finished units, which are provided for customer use permanently or on a temporary basis while the defective unit is being repaired. We record adjustments to reduce the carrying value of customer service inventories to their net realizable value. Factors influencing these adjustments include product life cycles, end of service life plans and volume of enhanced or extended warranty service contracts. Estimates of net realizable value involve significant estimates and judgments about the future, and revisions would be required if these factors differ from our estimates.

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

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

Valuation of intangible assets and in-process research and development requires significant estimates and assumptions including, but not limited to, determining the timing and expected costs to complete development projects, estimating future cash flows from product sales, developing appropriate discount rates, estimating probability rates for the successful completion of development projects, continuation of customer relationships and renewal of customer contracts. The amounts and useful lives assigned to identifiable intangible assets and other long-lived assets impact the amount and timing of future amortization and depreciation expense. Accordingly a subsequent reduction in the estimated carrying value or useful life of an asset would result in an accelerated recognition of amortization or depreciation expense.

We review the carrying value of our intangible assets and goodwill for impairment on an annual basis and whenever events or circumstances indicate that these assets may have become impaired. Significant negative industry or economic trends, including a lack of recovery in the market price of our common stock, disruptions to our business, unexpected significant changes or planned changes in the use of the intangible assets, and mergers

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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 intangible assets and goodwill could also be impacted by future adverse changes such as any future declines in our operating results, a significant slowdown in the worldwide economy and the microwave industry or any failure to meet the performance projections included in our forecasts of future operating results.

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

Evaluations of impairment involve management estimates of asset useful lives, future cash flows and discount rates. Significant management judgment is required in the forecasts of future operating results that are used in the evaluations. It is possible, however, that the plans and estimates used may prove to be inaccurate. If our actual results, or the plans and estimates used in future impairment analysis, are lower than the original estimates used to assess the recoverability of these assets, we could incur additional impairment charges in a future period. For example, we recorded impairment charges of $5.6 million for goodwill in fiscal 2012 and $63.2 million for identifiable intangible assets in fiscal 2010.

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

Our estimate of future cash flows is based upon, among other things, certain assumptions about expected future operating performance, growth rates and other factors. The actual cash flows realized from these assets may vary significantly from our estimates due to increased competition, changes in technology, fluctuations in demand, consolidation of our customers, reductions in average selling prices and other factors. Assumptions underlying future cash flow estimates are therefore subject to significant risks and uncertainties.

Income Taxes and Tax Valuation Allowances

We record the estimated future tax effects of temporary differences between the tax basis of assets and liabilities of amounts reported in our Consolidated Balance Sheet, as well as operating loss and tax credit carryforwards. Significant changes in these estimates may result in an increase or decrease to our tax provision in a subsequent period.

We record deferred taxes by applying enacted statutory tax rates to the respective jurisdictions and follow 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 meeting certain criteria in ASC 740. One of the major criteria is 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. Our judgments regarding future profitability may change due to many factors, including future market conditions and our ability to successfully execute our business plans and/or tax planning strategies. Should there be a change in our ability to recover our deferred tax assets, our tax provision would increase or decrease in the period in which the assessment is changed.

The accounting estimates related to the liability for uncertain tax position require us to make judgments regarding the sustainability of each uncertain tax position based on its technical merits. It is inherently difficult and subjective to estimate our reserves for the uncertain tax positions. Although we believe our estimates are reasonable, no assurance can be given that the final tax outcome of these matters will be same as these estimates. These estimates are updated quarterly based on factors such as change in facts or circumstances, changes in tax law, new audit activity, and effectively settled issues.

Impact of Recently Issued Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board issued an accounting standards update on the presentation of comprehensive income, which eliminates the current option to report other comprehensive income and its components in the statement of stockholders' equity. The new guidance requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This new guidance is to be applied retrospectively and is effective for us beginning in our first quarter of fiscal 2013. The adoption of this new guidance will not impact our consolidated financial position or results of operations, as the guidance relates only to financial statement presentation.

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***

Index to Financial Statements

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Aviat Networks, Inc.

We have audited the accompanying consolidated balance sheets of Aviat Networks, Inc. as of June 29, 2012 and July 1, 2011, and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows for each of the three years in the period ended June 29, 2012. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aviat Networks, Inc. at June 29, 2012 and July 1, 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 29, 2012, 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), Aviat Networks, Inc.'s internal control over financial reporting as of June 29, 2012, 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 4, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Redwood City, California
September 4, 2012

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Aviat Networks, Inc.

We have audited Aviat Networks, Inc.'s internal control over financial reporting as of June 29, 2012, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Aviat Networks, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Aviat Networks, Inc. maintained, in all material respects, effective internal control over financial reporting as of June 29, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Aviat Networks, Inc. as of June 29, 2012 and July 1, 2011, and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows for each of the three years in the period ended June 29, 2012 of Aviat Networks, Inc. and our report dated September 4, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Redwood City, California
September 4, 2012

AVIAT NETWORKS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)	Fiscal Years Ended June 29, 2012	July 1, 2011	July 2, 2010
Revenues:			
Revenue from product sales	$335.5	$357.5	$ 356.6
Revenue from services	108.5	94.6	108.9
Total revenues	444.0	452.1	465.5
Cost of revenues:			
Cost of product sales	232.8	252.3	236.1
Cost of services	78.8	71.0	72.5
Charges for product transition	—	—	16.9
Amortization of purchased technology	0.7	0.7	7.2
Total cost of revenues	312.3	324.0	332.7
Gross margin	131.7	128.1	132.8
Operating expenses:			
Research and development expenses	36.0	40.5	31.1
Selling and administrative expenses	98.9	104.0	134.7
Amortization of identifiable intangible assets	1.6	2.8	5.0
Property, plant and equipment impairment charges	—	—	8.7
Intangible assets and trade name impairment charges	—	—	57.7
Goodwill impairment charges	5.6	—	—
Restructuring charges	2.3	15.4	7.1
Total operating expenses	144.4	162.7	244.3
Operating loss	(12.7)	(34.6)	(111.5)
Loss on sale of NetBoss assets	—	(4.6)	—
Other income (loss), net	(0.6)	(3.6)	1.2
Interest income	0.6	0.3	0.3
Interest expense	(1.3)	(2.2)	(2.2)
Loss from continuing operations before income taxes	(14.0)	(44.7)	(112.2)
Provision for (benefit from) income taxes	1.5	14.1	(3.8)
Loss from continuing operations	(15.5)	(58.8)	(108.4)
Loss from discontinued operations, net of tax	(8.6)	(31.7)	(21.8)
Net loss	$ (24.1)	$ (90.5)	$(130.2)
Per share data:			
Basic and diluted loss per common share from continuing operations	$ (0.26)	$ (1.00)	$ (1.82)
Basic and diluted loss per common share from discontinued operations	$ (0.15)	$ (0.54)	$ (0.37)
Basic and diluted net loss per common share	$ (0.41)	$ (1.54)	$ (2.19)
Basic and diluted weighted average shares outstanding	59.0	58.6	59.4

See accompanying Notes to Consolidated Financial Statements

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AVIAT NETWORKS, INC.

CONSOLIDATED BALANCE SHEETS

(In millions, except share and par value amounts)	June 29, 2012	July 1, 2011
ASSETS		
Current Assets		
Cash and cash equivalents	$ 96.0	$ 98.2
Receivables, net	90.7	133.0
Unbilled costs	25.9	24.8
Inventories	56.8	50.6
Customer service inventories	18.5	21.2
Deferred income taxes	1.0	0.8
Other current assets	15.7	21.7
Total current assets	304.6	350.3
Long-Term Assets		
Property, plant and equipment, net	21.7	21.6
Goodwill	—	5.6
Identifiable intangible assets, net	1.8	4.1
Deferred income taxes	0.4	0.7
Other assets	1.1	1.6
Total long-term assets	25.0	33.6
Total Assets	$ 329.6	$ 383.9
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current portion of long-term debt	4.1	—
Accounts payable	51.6	70.3
Accrued compensation and benefits	11.9	11.1
Redeemable preference shares	—	8.3
Other accrued expenses	43.7	50.3
Advance payments and unearned income	41.3	45.8
Deferred income taxes	1.3	0.9
Restructuring liabilities	1.5	4.4
Total current liabilities	155.4	191.1
Long-Term Liabilities		
Long-term debt	8.8	6.0
Other long-term liabilities	2.8	3.5
Reserve for uncertain tax positions	4.2	4.2
Deferred income taxes	0.9	1.4
Total Liabilities	172.1	206.2
Commitments and Contingencies (Note 14)		
Stockholders' Equity		
Preferred stock, $0.01 par value; 50,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value; 300,000,000 shares authorized; issued and outstanding 61,274,740 shares as of June 29, 2012 and 60,611,561 shares as of July 1, 2011	0.6	0.6
Additional paid-in-capital	796.8	791.6
Accumulated deficit	(635.9)	(611.8)
Accumulated other comprehensive loss	(4.0)	(2.7)
Total Stockholders' Equity	157.5	177.7
Total Liabilities and Stockholders' Equity	$ 329.6	$ 383.9

See accompanying Notes to Consolidated Financial Statements

AVIAT NETWORKS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Fiscal Years Ended June 29, 2012	July 1, 2011	July 2, 2010
Operating Activities			
Net loss	$(24.1)	$ (90.5)	$(130.2)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Amortization of identifiable intangible assets	2.3	3.4	13.8
Depreciation and amortization of property, plant and equipment and capitalized software	4.9	8.6	20.0
Goodwill impairment charges	5.6	—	—
Intangible asset impairment charges	—	—	63.2
Property, plant and equipment impairment charges	—	—	7.9
Bad debt expenses	3.9	2.9	2.6
Share-based compensation expense	5.2	4.8	3.2
Deferred income tax expense (benefit)	(0.5)	11.0	4.2
Charges for product transition and inventory write-downs	3.4	20.2	13.5
Impairment charges/loss on disposition related to WiMAX business	1.9	9.5	—
Loss on sale of NetBoss assets	—	4.6	—
Other	—	—	(1.2)
Changes in operating assets and liabilities:			
Receivables	38.4	(28.7)	35.9
Unbilled costs	(1.1)	5.5	2.4
Inventories	(7.6)	(6.4)	12.2
Customer service inventories	0.7	(10.9)	(3.1)
Accounts payable	(18.6)	11.5	(11.0)
Accrued expenses	(5.9)	3.8	(9.1)
Advance payments and unearned income	(4.6)	8.5	(0.1)
Income taxes payable or receivable	0.1	(1.9)	—
Other assets and liabilities	4.4	2.6	(0.9)
Net cash provided by (used in) operating activities	8.4	(41.5)	23.3
Investing Activities			
Cash received from sale of NetBoss assets	—	3.8	—
Cash disbursed related to sale of WiMAX business, net	(1.5)	—	—
Cash payments for business acquisition, net	—	—	(4.2)
Proceeds from sale of property, plant and equipment	—	—	5.4
Sales and maturities of short-term investments	—	—	0.3
Additions of property, plant and equipment	(5.9)	(7.2)	(12.9)
Additions of capitalized software	—	(0.8)	(2.9)
Net cash used in investing activities	(7.4)	(4.2)	(14.3)
Financing Activities			
Proceeds from short-term debt arrangement	—	—	6.3
Payments on short-term debt arrangement	—	(5.0)	(11.3)
Proceeds from long-term debt	8.3	6.0	—
Payments on long-term debt	(1.4)	—	—
Proceeds from share-based compensation awards	0.1	0.2	0.1
Redemption of preference shares	(8.3)	—	—
Payments on capital lease obligations	—	—	(0.4)
Net cash provided by (used in) financing activities	(1.3)	1.2	(5.3)
Effect of exchange rate changes on cash and cash equivalents	(1.9)	1.0	1.2
Net increase (decrease) in cash and cash equivalents	(2.2)	(43.5)	4.9
Cash and cash equivalents, beginning of year	98.2	141.7	136.8
Cash and cash equivalents, end of year	$ 96.0	$ 98.2	$ 141.7
Supplemental disclosure of cash flow information:			
Cash paid (received) during the year for:			
Interest	$ 1.3	$ 2.2	$ 2.2
Income taxes	$ 1.3	$ 2.7	$ (3.6)

See accompanying Notes to Consolidated Financial Statements

AVIAT NETWORKS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE LOSS

	Common Stock Shares	Common Stock Class A Shares	Common Stock	Common Stock Class A	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
					(In millions)			
Balance as of July 3, 2009	—	58.9	$—	$ 0.6	$783.2	$(391.1)	$(4.8)	$ 387.9
Net loss	—	—	—	—	—	(130.2)	—	(130.2)
Foreign currency translation loss	—	—	—	—	—	—	1.5	1.5
Net unrealized loss on hedging activities	—	—	—	—	—	—	0.7	0.7
Comprehensive loss								(128.0)
Reclassification of Class A shares to Common Stock	58.9	(58.9)	0.6	(0.6)	—	—	—	—
Issuance of stock related to employee share-based awards	0.5	—	—	—	0.1	—	—	0.1
Share-based compensation	—	—	—	—	3.2	—	—	3.2
Balance as of July 2, 2010	59.4	—	0.6	—	786.5	(521.3)	(2.6)	263.2
Net loss	—	—	—	—	—	(90.5)	—	(90.5)
Transfer from CTA to other loss resulting from the liquidation of foreign entities	—	—	—	—	—	—	0.6	0.6
Foreign currency translation gain	—	—	—	—	—	—	(0.3)	(0.3)
Net unrealized gain on hedging activities	—	—	—	—	—	—	(0.4)	(0.4)
Comprehensive loss								(90.6)
Issuance of stock related to employee share-based awards	1.2	—	—	—	0.2	—	—	0.2
Share-based compensation	—	—	—	—	4.8	—	—	4.8
Other	—	—	—	—	0.1	—	—	0.1
Balance as of July 1, 2011	60.6	—	0.6	—	791.6	(611.8)	(2.7)	177.7
Net loss	—	—	—	—	—	(24.1)	—	(24.1)
Foreign currency translation loss	—	—	—	—	—	—	(1.4)	(1.4)
Net unrealized loss on hedging activities	—	—	—	—	—	—	0.1	0.1
Comprehensive loss								(25.4)
Issuance of stock related to employee share-based awards	0.7	—	—	—	—	—	—	—
Share-based compensation	—	—	—	—	5.2	—	—	5.2
Balance as of June 29, 2012	61.3	—	$ 0.6	$—	$796.8	$(635.9)	$(4.0)	$ 157.5

See accompanying Notes to Consolidated Financial Statements

Note 1. The Company and Summary of Significant Accounting Policies

The Company

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

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

Basis of Presentation

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

Our fiscal year ends on the Friday nearest calendar June 30. This was June 29 for fiscal 2012, July 1 for fiscal 2011 and July 2 for fiscal 2010. All fiscal years presented each included 52 weeks. In these notes to consolidated financial statements, we refer to our fiscal years as “fiscal 2012”, “fiscal 2011” and “fiscal 2010.”

Reclassifications

Certain amounts in the fiscal 2011 and 2010 financial statements have been reclassified to conform with the fiscal 2012 presentation. At June 29, 2012, based on the management’s intent not to repay the demand borrowings within the next year, the $6.0 million demand borrowings were classified as long-term debt. Accordingly, we reclassified the fiscal 2011 balance of $6.0 million from short-term debt to long-term debt to conform with the fiscal 2012 presentation.

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) requires 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. Such estimates affect significant items, including revenue recognition, provision for doubtful accounts, inventory valuation, fair value of goodwill and intangible assets, valuation allowances for deferred tax assets, uncertainties in income taxes, restructuring obligations, product warranty obligations, share-based awards, contingencies and useful lives of intangible assets, property, plant and equipment.

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Cash, Cash Equivalents and Short-Term Investments

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

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

As of June 29, 2012 and July 1, 2011, all of our high-quality marketable debt securities were classified as cash equivalents. Realized gains and losses on short-term investments are recorded in selling and administrative expenses and were not significant during fiscal 2012, 2011 and 2010.

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.

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.

We regularly require letters of credit from some customers who request extended payment terms of up to one year or more, which we generally discount with various financial institutions. Under these arrangements, collection risk is fully transferred to the financial institutions. We record the cost of discounting these letters of credit as interest expense. Total customer letters of credit being discounted and related interest expense are as follows:

	Fiscal Year		
(In millions)	**2012**	**2011**	**2010**
Customer letters of credit being discounted	$90.7	$80.6	$91.1
Interest expense	$ 0.3	$ 0.4	$ 0.7

During fiscal 2012, 2011 and 2010, we had one international customer in Africa (Mobile Telephone Networks Group or MTN Group) that accounted for 17%, 14% and 17%, respectively, of our total revenue. As of June 29, 2012 and July 1, 2011, MTN Group accounted for approximately 7% and 8%, respectively, of our accounts receivable. No other customers accounted for more than 10% of our revenue or accounts receivable for the years presented.

Financial instruments that potentially subject us to a concentration of credit risk consist principally of cash equivalents, marketable debt securities, trade accounts receivable and financial instruments used in foreign currency hedging activities. We invest our excess cash primarily in prime money market funds and certificates of deposit. We are exposed to credit risks related to such instruments in the event of default or decrease in credit-worthiness of the issuers of the investments. We perform ongoing credit evaluations of our customers and generally do not require collateral on accounts receivable, as the majority of our customers are large, well-established companies. However, in certain circumstances, we may require letters of credit, additional guarantees or advance payments. 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. Accounts receivable are written off when attempts to collect outstanding amounts have been exhausted or there are other indicators that the amounts are no longer collectible.

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 or market. Cost is determined using standard cost, which approximates actual cost on a weighted-average basis. We regularly review inventory quantities on hand and record adjustments to reduce the cost of inventory for excess and obsolete inventory based primarily on our estimated forecast of product demand and production requirements. Inventory adjustments are measured as the difference between the cost of the inventory and estimated market value based upon assumptions about future demand and charged to the provision for inventory, which is a component of cost of sales. At the point of the loss recognition, a new, lower-cost basis for that inventory is established, and any subsequent improvements in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Customer Service Inventories

Our customer service inventories are stated at the lower of cost or market. We carry service parts because we generally provide product warranty for 12 to 24 months and earn revenue by providing enhanced and extended warranty and repair service during and beyond this warranty period. Customer service inventories consist of both component parts, which are primarily used to repair defective units, and finished units, which are provided for customer use permanently or on a temporary basis while the defective unit is being repaired. We record adjustments to reduce the carrying value of customer service inventories to their net realizable value. Factors influencing these adjustments include product life cycles, end of service life plans and volume of enhanced or extended warranty service contracts. Estimates of net realizable value involve significant estimates and judgments about the future, and revisions would be required if these factors differ from our estimates.

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 bases of assets and liabilities, as measured by tax rates at which temporary differences are expected to reverse. Deferred tax expense (benefit) is the result of changes in deferred tax assets and liabilities. A valuation allowance is established to offset any deferred tax assets if, based upon the available information, it is more likely than not that some or all of the deferred tax assets will not be realized.

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

We use 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.

Property, Plant and Equipment

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

Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized on the straight-line method over the shorter of the remaining lease term or the estimated useful life of the improvements. The useful lives of the assets are generally as follows:

Buildings and leasehold improvements	2 to 45 years
Software	3 to 5 years
Machinery and equipment	2 to 5 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 any gain or loss is reflected in the consolidated statements of operations.

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

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

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

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

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

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

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

Our estimate of future cash flows is based upon, among other things, certain assumptions about expected future operating performance, growth rates and other factors. The actual cash flows realized from these assets may vary significantly from our estimates due to increased competition, changes in technology, fluctuations in demand, consolidation of our customers, reductions in average selling prices and other factors. Assumptions underlying future cash flow estimates are therefore subject to significant risks and uncertainties.

Annual Report

Capitalized Software

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

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

Our capitalized software related primarily to our NetBoss assets that were disposed in fiscal 2011. Total amortization expense on capitalized software was $0.5 million and $2.8 million in fiscal 2011 and 2010, respectively.

Other Accrued Expenses and Other Assets

No accrued liabilities or expenses within other accrued expenses on our consolidated balance sheets exceeded 5% of our total current liabilities as of June 29, 2012 or July 1, 2011. Other accrued expenses on our consolidated balance sheets primarily includes accruals for sales commissions, warranties and severance. No current assets other than those already disclosed on the consolidated balance sheets exceeded 5% of our total current assets as of June 29, 2012 or July 1, 2011. No assets within the caption "Other assets" on the consolidated balance sheets exceeded 5% of total assets as of June 29, 2012 or July 1, 2011.

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 one to two 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.

Operating Leases

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

Foreign Currency Translation

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

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

Gains and losses resulting from foreign exchange transactions and translation of monetary assets and liabilities in non-functional currencies are included in cost of product sales and services in the accompanying consolidated statements of operations. Net foreign exchange (losses) gains recorded in our consolidated statements of operations during fiscal 2012, 2011 and 2010 totaled $(1.5) million, $(2.6) million and $0.3 million, respectively.

Retirement Benefits

As of June 29, 2012, we provided retirement benefits to substantially all employees primarily through our defined contribution retirement plans. These plans have matching and savings elements. Contributions by us to these retirement plans are based on profits and employees' savings with no other funding requirements. We may make additional contributions to the plan at our discretion.

Contributions to retirement plans are expensed as incurred. Retirement plan expense amounted to $2.8 million, $3.3 million and $2.8 million in fiscal 2012, 2011 and 2010, respectively.

Revenue Recognition

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

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

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

Under our revenue recognition policy, revenue is recognized when all of the following criteria have been met:

- Persuasive evidence of an arrangement exists. Contracts and customer purchase orders are generally used to determine the existence of an arrangement.
- Delivery has occurred. Shipping documents and customer acceptance, when applicable, are used to verify delivery.
- The fee is fixed or determinable. We assess whether the fee is fixed or determinable based on the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment.
- Collectibility is reasonably assured. We assess collectibility based primarily on the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history.

We often enter into multiple contractual agreements with the same customer. Such agreements are reviewed to determine whether they should be evaluated as one arrangement. If an arrangement, other than a long-term contract, requires the delivery or performance of multiple deliverables or elements, we determine whether the individual elements represent "separate units of accounting". Based on the terms and conditions of our typical product sales arrangement, we believe that our products and services can be accounted for as separate units because our products and services have value to our customers on a stand-alone basis.

When a sale involves multiple deliverables, the entire fee from the arrangement is allocated to each unit of accounting based on the relative selling price of each deliverable. When applying the relative selling price method, we determine the selling price for each deliverable using vendor-specific objective evidence ("VSOE") of selling price, if it exists, or third-party evidence ("TPE") of selling price. If neither VSOE nor TPE of selling price exist for a deliverable, which is typically the case, we use our best estimate of selling price ("ESP") for that deliverable. Revenue allocated to each element is then recognized when the other revenue recognition criteria are met for each element. Accordingly, services not yet performed at the time of product shipment are deferred based on their relative selling price and recognized as revenue as such services are performed. The relative selling price of any undelivered products is also deferred at the time of shipment and recognized as revenue when these products are delivered. There is generally no customer right of return in our sales agreements. The sequence for typical multiple element arrangements: we deliver our products, perform installation services and then provide post-contract support services.

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

For our proprietary and OEM products, we determine ESP using a discount off list methodology. Under this approach, reasonably available data points, including deals bid and won in the past rolling four quarters and competitor pricing data, for each part number are gathered . Then similar parts are grouped together and the average net price and the discount off the list price are calculated for each group of products. Since we have determined that pricing varies significantly by geography, the data is further stratified by geography. Within geographies, the data is stratified based on type of customer, distribution channel and estimated deal size or customer volume as larger opportunities with multiple deliverables bundled are more likely to receive preferential pricing. Based on all the available information (pricing practices and trends, competition, market, potential pricing limitations set by the competitors for the similar or identical product, functionality and expected technological life of the product, etc.), the final discount off list percentage is determined. Using the discount off list price percentage, the best estimated selling price for each product is determined.

For services ESP, we also stratify data based on geography, type of customer and estimated deal size. For training and extended support services, we determine ESP using a discount off list methodology as discussed above. For technical and installation services, we determine ESP using an estimated margin methodology. Under this methodology, ESP's are determined based on estimated margins anticipated. We consider historical margins as well as current pricing trends and market conditions when determining the estimated margin.

Some of our products have both software and non-software components that function together to deliver the product's essential functionality. We have determined that the software element in our core microwave products is incidental in accordance with the software revenue recognition rules. Accordingly, these products were not within the scope of the software revenue recognition rules, ASC 985-605, *Software Revenue Recognition*.

In addition to the software in our core microwave product which is not within the scope of the software revenue recognition rules, some of our sales arrangements have multiple deliverables containing software and related software support components. Such sale arrangements are subject to the accounting guidance in ASC 985-605, *Software-Revenue Recognition.* Under the software revenue recognition guidance, we use the residual method to recognize revenue when a multiple element arrangement includes one or more elements to be delivered at a future date and VSOE of fair value of all undelivered elements exists. If VSOE can be established for the undelivered elements of an arrangement, we recognize revenue following the residual method. If VSOE cannot be established for the undelivered elements of an arrangement, we defer revenue until the earlier of delivery, or fair value of the undelivered element exists, unless the undelivered element is a service, in which the entire arrangement fee is recognized ratably over the period during which the services are expected to be performed.

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

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 Transactional Taxes Collected from Customers and Remitted to Government Authorities

We present transactional taxes such as sales and use tax collected from customers and remitted to governmental authorities on a net basis.

Share-Based Compensation

We have issued stock options, restricted stock and performance shares under our 2007 Stock Equity Plan and have 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 option-pricing model. The determination of the fair value of share-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables. These variables include our expected stock price volatility over the expected term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rate and expected dividends. Due to the inherent limitations of option-valuation models, including consideration of future events that are unpredictable and the estimation process utilized in determining the valuation of the share-based awards, the ultimate value realized by our employees may vary significantly from the amounts expensed in our financial statements. For restricted stock and performance share awards, we measure the grant date fair value based upon the market price of our common stock on the date of the grant.

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

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

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

Net Income (Loss) per Share of Common Stock

We compute net income (loss) per share of common stock using the two-class method. Basic net income (loss) per share is computed using the weighted average number of common shares and participating securities outstanding. Our unvested restricted shares (including restricted stock awards and performance share awards) contain rights to receive non-forfeitable dividends and therefore are considered to be participating securities and would be included in the calculations of net income per basic and diluted common share. However, we incurred a net loss in all periods presented. In accordance with Accounting Standard Codification ("ASC") subtopic 260-10, undistributed losses are not allocated to unvested restricted shares due to the fact that the unvested restricted shares are not contractually obligated to share in the losses of the company.

As we incurred net loss for all periods in fiscal 2012, 2011 and 2010, potential dilutive securities from stock options, restricted shares and stock units have been excluded from the diluted net loss per share computations as their effect was anti-dilutive. Because the exercise prices of the outstanding stock options were greater than the average market price of our shares during the applicable year, the number of option shares excluded from the diluted loss per share calculations determined by applying the treasury stock method were not significant during all periods in fiscal 2012, 2011 and 2010.

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 we notify 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 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.

Research and Development Costs

Our 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.

Recently Issued Accounting Standards

In June 2011, the Financial Accounting Standards Board issued an accounting standards update on the presentation of comprehensive income, which eliminates the current option to report other comprehensive income and its components in the statement of stockholders' equity. The new guidance requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This new guidance is to be applied retrospectively and is effective for us beginning in our first quarter of fiscal 2013. The adoption of this new guidance will not impact our consolidated financial position or results of operations, as the guidance relates only to financial statement presentation.

Note 2. Acquisitions and Divestitures

Acquisition of Telsima

In February 2009, we acquired Telsima Corporation ("Telsima") for $13.1 million in cash. Telsima was a privately-held leading developer and provider of WiMAX Forum Certified(™) products for use in next generation broadband wireless networks. 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.

The Telsima acquisition was accounted for as a purchase business combination and we recorded a total of $6.2 million of goodwill. During the fourth quarter of fiscal 2010, subsequent to one year from the date of acquisition, we recorded a $1.2 million gain in other income on our consolidated statement of operations from the final settlement of the purchase price.

WiMAX Discontinued Operations

In March 2011, our board of directors approved a plan for the sale of our WiMAX business. On September 2, 2011, we sold to EION Networks, Inc. ("EION") our WiMAX business and related assets consisting of certain technology, inventory and equipment. We assigned customer contracts for WiMAX products and maintenance and agreed to license related patents to EION. We also agreed to indemnification for customary seller representations and warranties, and the provision of transitional services. As consideration for the sale of assets, EION agreed to pay us $0.4 million in cash and up to $2.8 million in additional cash payments contingent upon specific factors related to future WiMAX business performance. Currently we are not able to estimate the amount of consideration that we will receive beyond the $0.4 million nor the probability of any such payment. Accordingly, any future consideration will be recorded as a contingent gain in the period that it is received. EION is also entitled to receive cash payments up to $2.0 million upon collections of certain WiMAX accounts receivable, of which $1.4 million has been paid by us to EION as of June 29, 2012

From the third quarter of fiscal 2011, we began accounting for the WiMAX business as a discontinued operation therefore the operating results of our WiMAX business are included in discontinued operations in our Consolidated Financial Statements for all years presented. We recognized a $1.9 million loss on disposition in fiscal 2012 and a $9.5 million impairment charge on WiMAX assets held for sale in fiscal 2011. At June 29, 2012 and July 1, 2011, our accrued liabilities related to the disposition of WiMAX business were $0.6 million and $0.3 million, respectively.

Summary results of operations for the WiMAX business were as follows:

	Fiscal Year		
	2012	2011	2010
		(In millions)	
Revenues	$ 1.6	$ 20.6	$ 13.4
Loss from operations of WiMAX	$(6.5)	$(31.7)	$(21.8)
Loss on disposal	(1.9)	—	—
Income taxes	(0.2)	—	—
Total loss from discontinued operations	$(8.6)	$(31.7)	$(21.8)

Sale of NetBoss Assets

In September 2010, we sold our NetBoss assets, consisting of internally-developed intellectual property and certain equipment, to a third party named NetBoss Technologies, Inc. for $3.8 million of cash. We recognized a $4.6 million loss on the sale of the NetBoss assets in our Consolidated Statement of Operations during fiscal 2011. NetBoss Technologies, Inc. is a new company formed by its management team, our former development partner for NetBoss, and private investors. As part of the terms of the sale, we have assigned our customer contracts for NetBoss software and maintenance to NetBoss Technologies, Inc. We continue to license NetBoss technology to operate our Network Operations Centers.

Note 3. Goodwill and Identifiable Intangible Assets

Goodwill

Our goodwill for fiscal 2012, 2011 and 2010 resulted from our acquisition of Telsima Corporation in fiscal 2009. The changes in the carrying amount of goodwill were as follows:

	Amount (In millions)
Balance as of July 2, 2010	$ 6.2
Goodwill allocated to WiMAX business	(0.6)
Balance as of July 1, 2011	5.6
Goodwill impairment charges	(5.6)
Balance as of June 29, 2012	$—

In the third quarter of fiscal 2011, in conjunction with the reclassification of WiMAX business as a discontinued operation, $0.6 million of goodwill was allocated to the WiMAX business. Concurrently we performed an impairment review and recorded a $0.6 million impairment charge for WiMAX business goodwill, which was included in loss from discontinued operations. We also performed impairment reviews on the remaining $5.6 million goodwill, and determined that there was no impairment as of July 1, 2011.

In the second quarter of fiscal 2012, we concluded that a goodwill impairment indicator existed due to a significant decline in our market capitalization. Therefore we performed a goodwill impairment analysis and recorded a $5.6 million goodwill impairment charge in the quarter.

Identifiable Intangible Assets

A summary of our identifiable intangible assets is presented below:

	Purchased Technology	Trade_ Names	Customer Relationships	Total Identifiable Intangible Assets
		(In millions)		
Net identifiable intangible assets as of July 2, 2010	$ 2.0	$ 3.6	$ 1.9	$ 7.5
Less: amortization expense	(0.7)	(2.3)	(0.4)	(3.4)
Net identifiable intangible assets as of July 1, 2011	1.3	1.3	1.5	4.1
Less: amortization expense	(0.7)	(1.3)	(0.3)	(2.3)
Net identifiable intangible assets as of June 29, 2012	$ 0.6	$—	$ 1.2	$ 1.8
Amortization expenses:				
Fiscal 2012	$ 0.7	$ 1.3	$ 0.3	$ 2.3
Fiscal 2011	$ 0.7	$ 2.3	$ 0.4	$ 3.4
Fiscal 2010	$ 8.2	$ 2.6	$ 3.0	$13.8
Impairment charges:				
Fiscal 2010	$49.5	$—	$13.7	$63.2
Weighted average estimated useful life (in years)	3.0	1.6	5.0	

Our identifiable intangible assets are being amortized over their useful estimated economic lives, which range from one to five years.

In the fourth quarter of fiscal 2010, we concluded that an impairment indicator for our identifiable intangible assets existed due to a decline in our market capitalization and recent and expected financial performance. The undiscounted cash flow and fair value calculations related to the developed technology were estimated based on a relief-from-royalty method, and the calculations related to the customer relationships were estimated based on an excess earnings method considering future sales and operating costs. Discount rates ranging from 28% to 30% were applied to the cash flows used in the fair value calculations of intangible assets. The results of our impairment test indicated impairment related to certain amortizable intangible assets (developed technology and customer relationships), since the estimated undiscounted cash flows for these assets were less than their respective carrying values. Accordingly, we recorded impairment charges of $63.2 million for identifiable intangible assets in fiscal 2010.

At June 29, 2012, we estimate our future amortization of identifiable intangible assets with definite lives by year as follows:

Fiscal Year	Amount (In millions)
2013	$1.0
2014	0.4
2015	0.4
	$1.8

Note 4. Accumulated Other Comprehensive Income (Loss)

The changes in components of our accumulated other comprehensive income (loss) during fiscal 2012, 2011 and 2010 are as follows:

	Foreign Currency Translation Adjustment ("CTA")	Hedging Derivatives	Total Accumulated Other Comprehensive (Loss) Income
		(In millions)	
Balance as of July 3, 2009	$(4.4)	$(0.4)	$(4.8)
Foreign currency translation gain	1.5	—	1.5
Net unrealized gain on hedging activities	—	0.7	0.7
Balance as of July 2, 2010	(2.9)	0.3	(2.6)
Transfer from CTA to other loss resulting from the liquidation foreign entities	0.6	—	0.6
Foreign currency translation loss	(0.3)	—	(0.3)
Net unrealized loss on hedging activities	—	(0.4)	(0.4)
Balance as of July 1, 2011	(2.6)	(0.1)	(2.7)
Foreign currency translation loss	(1.4)	—	(1.4)
Net unrealized loss on hedging activities	—	0.1	0.1
Balance as of June 29, 2012	$(4.0)	$—	$(4.0)

Note 5. Balance Sheet Components

Receivables

Our receivables are summarized below:

	June 29, 2012	July 1, 2011
	(In millions)	
Accounts receivable	$105.8	$143.2
Notes receivable due within one year	1.1	4.0
	106.9	147.2
Less allowances for collection losses	(16.2)	(14.2)
	$ 90.7	$133.0

Inventories

Our inventories are summarized below:

	June 29, 2012	July 1, 2011
	(In millions)	
Finished products	$49.2	$41.4
Work in process	6.9	6.5
Raw materials and supplies	0.7	2.7
	$56.8	$50.6
Deferred cost of sales included within finished goods	$11.2	$13.9

During fiscal 2012, 2011 and 2010, we recorded charges to adjust our inventory and customer service inventory to the lower of cost or market. These charges were primarily due to excess and obsolete inventory resulting from product transitioning and discontinuance and were as follows:

	Fiscal Year		
	2012	2011	2010
	(In millions)		
Excess and obsolete inventory charges	$1.7	$13.7	$27.7
Customer service inventory write-downs	1.7	0.8	1.9
	$3.4	$14.5	$29.6
As % of revenue	0.8%	3.2%	6.4%

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Property, Plant and Equipment

Our property, plant and equipment are summarized below:

	June 29, 2012	July 1, 2011
	(In millions)	
Land	$ 0.7	$ 0.7
Buildings and leasehold improvements	10.7	10.1
Software	7.2	6.7
Machinery and equipment	45.0	45.1
	63.6	62.6
Less accumulated depreciation and amortization	(41.9)	(41.0)
	$ 21.7	$ 21.6

During fiscal 2010, we recorded impairments of property, plant and equipment totaling $14.2 million. These charges consisted of $5.5 million on our manufacturing facility and idle equipment in San Antonio, Texas, $7.9 million recorded in connection with our impairment review process for goodwill and intangible assets and $0.8 million for software. The San Antonio impairment charge resulted from our plan to converge our products onto a single platform by the end of fiscal year 2010 and is included in "Charges for product transition" within "Cost of products sales and services" on our Consolidated Statement of Operations. The other impairments are included in "Property, plant and equipment impairment charges" on our Consolidated Statement of Operations. The San Antonio facility was sold in the fourth quarter of fiscal 2010.

Depreciation and amortization expense related to property, plant and equipment, including amortization of software developed for internal use, was $4.9 million, $8.6 million and $20.0 million, respectively, in fiscal 2012, 2011 and 2010.

Accrued Warranties

We have accrued for the estimated cost to repair or replace products under warranty at the time of sale. Changes in our warranty liability, which is included as a component of other accrued expenses on the consolidated balance sheets, during the fiscal years ended June 29, 2012 and July 1, 2011 are as follows:

	Fiscal Year Ended	
	June 29, 2012	July 1, 2011
	(In millions)	
Balance as of the beginning of the fiscal year	$ 2.8	$ 3.2
Warranty provision for revenue recorded during the period	3.7	2.5
Settlements made during the period	(3.5)	(2.9)
Balance as of the end of the period	$ 3.0	$ 2.8

Note 6. Fair Value Measurements of Assets and Liabilities

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

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

The carrying amounts, estimated fair values and valuation input levels of our assets and liabilities that are measured at fair value on a recurring basis as of June 29, 2012 and July 1, 2011 are as follows:

	June 29, 2012		July 1, 2011		
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Valuation Inputs
			(In millions)		
Assets:					
Cash equivalents:					
Time deposits	$ —	$ —	$ 1.9	$ 1.9	Level 2
Money market funds	$61.8	$61.8	$65.0	$65.0	Level 1
Other current assets					
Foreign exchange forward contracts	$ 0.1	$ 0.1	$ 0.2	$ 0.2	Level 2
Liabilities:					
Other accrued expenses					
Foreign exchange forward contracts	$ 0.1	$ 0.1	$ 0.1	$ 0.1	Level 2

We classify investments within Level 1 if quoted prices are available in active markets. Our level 1 investments include shares in prime money market funds purchased from two major financial institutions. As of June 29, 2012, these money market shares were valued at $1.00 net asset value per share by these financial institutions.

We classify items in Level 2 if the investments are valued using observable inputs to quoted market prices, benchmark yields, reported trades, broker/dealer quotes or alternative pricing sources with reasonable levels of price transparency. Our foreign exchange forward contracts are classified within Level 2. Foreign currency forward contracts are valued using an income approach for the remaining term of the contract based on forward market rates less the contract rate multiplied by the notional amount.

Our policy is to recognize asset or liability transfers among Level 1, Level 2 and Level 3 as of the actual date of the events or change in circumstances that caused the transfer. During fiscal 2012, 2011 and 2010, we had no transfers between levels of the fair value hierarchy of our assets or liabilities measured at fair value.

Note 7. 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 $8.3 million. Upon original issuance in fiscal 2007, our former majority stockholder, Harris Corporation, 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.

These redeemable preference shares represented less than a 1% interest in our Singapore subsidiary. The redeemable preference shares had an automatic redemption date of January 2017, which is 10 years from the date of issue. Preference dividends were cumulative and payable quarterly in cash at the rate of 12% per annum. Preference dividends totaling $0.6 million, $1.0 million and $1.0 million, respectively, for fiscal 2012, 2011 and 2010, were recorded as interest expense in the accompanying consolidated statements of operations.

In an agreement dated June 30, 2011 by and among Harris, the Company and our Singapore subsidiary, we agreed to redeem the shares on the fifth anniversary of the date of issuance, which was January 30, 2012, at the stated redemption amount of 105% of their face value. In consideration for the early redemption, Harris agreed to waive the 5% premium for the amount that would otherwise be payable to them and to reimburse us for the 5% premium that is payable to the remaining stockholder. Accordingly, the $8.3 million redemption price for these shares was classified as a current liability as of July 1, 2011. On January 30, 2012, the preference shares were redeemed in accordance with the provisions of the redemption agreement and we funded the redemption with proceeds of $8.3 million from a two-year term loan under our credit facility with Silicon Valley Bank as described in Note 8 below.

Note 8. Credit Facility and Debt

During the quarter ended October 1, 2010, we terminated our previous credit facility with two commercial banks and entered into a new $40.0 million credit facility with Silicon Valley Bank ("SVB") for an initial term of one year expiring on September 30, 2011. We repaid the outstanding debt of $5.0 million under the previous credit facility on October 1, 2010 with the proceeds of a new loan under the new facility in the amount of $6.0 million in demand borrowings. Near September 30, 2011, the availability of the facility was extended and, on November 2, 2011, the facility was amended to expire on February 28, 2014 and provide for a two-year term loan for up to $8.3 million that we used to fund the redemption of the preference shares issued by our Singapore subsidiary. On January 30, 2012, we drew down the $8.3 million term loan which was for two years maturing on January 31, 2014 and provided for 24 equal monthly principal payments.

Our current SVB credit facility provides for a committed amount of $40.0 million. The facility provides for (1) demand borrowings (with no stated maturity date other than the February 28, 2014 expiration of the facility); (2) fixed term Eurodollar loans for up to six months, (3) the two-year term loan in the initial amount of $8.3 million drawn down on January 30, 2012, and (4) the issuance of standby or commercial letters of credit. As of June 29, 2012, available credit under this credit facility was $20.1 million reflecting borrowings of $12.9 million and outstanding letters of credit of $7.0 million.

As of June 29, 2012, our total outstanding debt under the SVB facility was $12.9 million, which consisted of the $6.0 million demand borrowings drawn in fiscal 2011 and the $6.9 million outstanding balance related to the $8.3 million two-year term loan, of which $4.1 million was classified as current. Based on the management's intent not to repay the demand borrowings within the next year, the $6.0 million demand borrowings were classified as long-term debt as of June 29, 2012. Prior year balance was also reclassified from current to long-term to conform with current year presentation.

Demand borrowings carry an interest rate computed at the daily prime rate as published in the *Wall Street Journal*. Interest on Eurodollar loans is offered at LIBOR plus a spread of between 2.00% to 2.75% based on our current leverage ratio. The interest rate on Eurodollar loans was set initially at a spread of 2.75% for the fiscal quarter ended October 1, 2010 and is adjustable quarterly thereafter based on the computed actual leverage ratio for the most recently completed fiscal quarter. As of June 29, 2012. the weighted average interest rate on our demand borrowings was 3.25%. The two-year term loan is at a fixed interest rate of 5% per annum and provides for equal monthly payments of principal. The SVB facility contains a minimum liquidity ratio covenant and a minimum profitability covenant. As of June 29, 2012, we were in compliance with these financial covenants. The facility also imposes certain restrictions on our ability to pay dividends or make distributions to our stockholders under certain circumstances. Certain of our assets, including accounts receivable, inventory, and equipment, are pledged as collateral for the credit facility. Pursuant to the loan and security agreement, if a material adverse event occurs, as determined by SVB in its judgment, all obligations in connection with the agreement would be immediately due and payable.

Note 9. Restructuring Activities

Fiscal 2011 Plan

During the first quarter of fiscal 2011, we initiated a restructuring plan (the "Fiscal 2011 Plan") to reduce our operational costs . The Fiscal 2011 Plan was intended to bring our cost structure in line with the changing dynamics of the worldwide microwave radio and telecommunication markets, primarily in North America, Europe and Asia. The following table summarizes our costs incurred during fiscal 2012 and 2011, estimated additional costs to be incurred and estimated total costs expected to be incurred as of June 29, 2012 under the Fiscal 2011 Plan:

	Costs Incurred During Fiscal Year Ended		Cumulative Costs Incurred Through June 29, 2012	Estimated Additional Costs to be Incurred	Total Restructuring Costs Expected to be Incurred
	June 29, 2012	July 1, 2011			
			(in millions)		
Severance and benefits	$0.9	$10.5	$11.4	$1.0	$12.4
Facilities and other	1.4	2.2	3.6	0.4	4.0
Total for Fiscal 2011 Plan	$2.3	$12.7	$15.0	$1.4	$16.4

During fiscal 2011, our severance and benefits charges under the Fiscal 2011 Plan for North America region related to reductions in force for the downsizing of the Morrisville, North Carolina office, reductions in force in Canada of their finance, human resources, IT and engineering functions, and the reductions in force resulting from the sale of our NetBoss assets. The severance and benefits for International region related primarily to reductions in personnel located in our field offices during fiscal 2011. Facilities and other charges in fiscal 2011 included obligations under non-cancelable leases for facilities that we ceased to use at the Morrisville, North Carolina office upon the permanent downsizing of that office.

During fiscal 2012, we continued executing restructuring activities to reduce our operating costs worldwide under the Fiscal 2011 Plan. The $1.4 million facilities charges primarily related to the sublease and relocation of our Morrisville, North Carolina office and Montreal office during the period.

As of June 29, 2012, we have substantially completed our initiatives under the Fiscal 2011 Plan and intend to wind down certain remaining restructuring activities in fiscal 2013.

Fiscal 2009 Plan

During the first quarter of fiscal 2009, we announced a restructuring plan to reduce our worldwide workforce in the U.S., France, Canada and other locations throughout the world (the "Fiscal 2009 Plan"). The Fiscal 2009 Plan also included the restructure and transition of our North America manufacturing operations and global supply chain operations. The Fiscal 2009 Plan has been completed at the end of fiscal 2011 and we do not expect to incur future restructuring costs related to the Fiscal 2009 Plan.

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The following table summarizes our costs incurred during fiscal 2011 and 2010 and total costs incurred under the Fiscal 2009 Plan:

	Costs Incurred During Fiscal Year Ended		Total Restructuring Costs Incurred (Completed in Q4 Fiscal 2011)
	July 1, 2011	July 2, 2010	
	(in millions)		
Severance and benefits	$2.5	$4.6	$15.0
Facilities and other	0.2	2.5	3.0
Total for Fiscal 2009 Plan	$2.7	$7.1	$18.0

During fiscal 2011, the restructuring activities related to the Fiscal 2009 Plan primarily consisted of outsourcing our San Antonio manufacturing operations to a third party in Austin, Texas. The restructuring charges primarily consisted of the severance and benefits charges for reductions in force in our San Antonio manufacturing facilities and costs related to facility lease obligation adjustments.

During fiscal 2010, severance and benefits costs incurred primarily related to reductions in force and relocation of employees in the U.S., France, Canada and other locations throughout the world. Charges totaling $2.0 million in facility lease obligation impairments primarily related to facilities occupied in San Jose, California prior the relocation to our new corporate headquarters in Santa Clara, California.

Restructuring Liabilities

The information in the following table summarizes our restructuring activities during fiscal 2012, 2011 and 2010 and restructuring liability as of June 29, 2012:

	Severance and Benefits	Facilities and Other	Total
	(In millions)		
Restructuring liability as of July 3, 2009	$ 2.5	$ 5.3	$ 7.8
Provision related to Fiscal 2009 Plan	4.6	2.5	7.1
Cash payments	(4.9)	(3.6)	(8.5)
Restructuring liability as of July 2, 2010	2.2	4.2	6.4
Provision related to Fiscal 2011 Plan	10.5	2.2	12.7
Provision related to Fiscal 2009 Plan	2.5	0.2	2.7
Cash payments	(12.0)	(4.8)	(16.8)
Restructuring liability as of July 1, 2011	3.2	1.8	5.0
Provision related to Fiscal 2011 Plan	0.9	1.4	2.3
Cash payments	(3.1)	(2.0)	(5.1)
Restructuring liability as of June 29, 2012	$ 1.0	$ 1.2	$ 2.2
Current portion of restructuring liability as of June 29, 2012			$ 1.5
Long-term portion of restructuring liability as of June 29, 2012			$ 0.7

Note 10. Stockholders' Equity

Stock Incentive Programs

2007 Stock Equity Plan

As of June 29, 2012, we had one stock incentive plan for our employees and outside directors, the 2007 Stock Equity Plan, as amended and restated effective November 17, 2011 (the "2007 Stock Plan"). The 2007 Stock Plan provides for accelerated vesting of certain share-based awards if there is a change in control. The 2007 Stock Plan provides for the issuance of share-based awards in the form of stock options, stock appreciation rights, restricted stock awards and units, and performance share awards and units.

Under the 2007 Stock 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 and 25% each year thereafter, one-third annually over a three-year period from date of grant, or one-fourth annually over a four-year period from date of grant. Stock options are issued to directors annually and generally cliff vest (i.e. vest in full) one year from grant date.

We issued time-based restricted stocks under our various annual or long-term incentive programs ("AIP" or "LTIP"), as well as our global equity program ("GEP") which was implemented in fiscal 2012. Restricted stock is not transferable until vested and the restrictions lapse upon the achievement of continued employment or service over a specified time period. Restricted stock issued to employees generally vests one-third annually over a three year period from date of grant or cliff vests three years after grant date. Restricted stock is issued to directors annually and generally cliff vests one year from grant date.

We issued performance shares under our AIP, LTIP and GEP, as well as our product development incentive programs ("PDIP"). Vestings of performance share awards under our AIP, LTIP or GEP are subject to financial performance criteria including meeting revenue, operating income, or cash flow targets for the periods as defined in the programs and continued employment at the end of the periods. Performance shares under our PDIPs were issued to employees related to several new product development projects and are vested upon achievement of the product development milestones as defined in the programs. The final determination of the number of performance shares vesting in respect of an award is determined by our board of directors, or a committee of our board.

Upon the exercise of stock options, vesting of restricted stock awards and units, or vesting of performance share awards and units, we issue new shares of our common stock to our employees. All awards which are cancelled prior to vesting or expire unexercised are returned to the share pool and made available for future awards. Shares of our common stock remaining available for future issuance under the 2007 Stock Plan totaled 6,597,515 as of June 29, 2012. Currently, we do not anticipate repurchasing shares to provide a source of shares for our rewards of share-based compensation.

Acquisition Plan

We assumed all of the former Stratex outstanding stock options as of January 26, 2007, as part of the Stratex acquisition. The outstanding former Stratex options became fully vested in fiscal 2011.

Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan ("ESPP"), employees are entitled to purchase shares of our common stock at a 5% discount from the fair market value at the end of a three-month purchase period. As of June 29, 2012, 813,766 shares were reserved for future issuances under the ESPP. We issued 21,835 shares under the ESPP during fiscal 2012.

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Share-Based Compensations

Total compensation expense for share-based awards included in our consolidated statements of operations for fiscal 2012, 2011 and 2010 was as follows:

(In millions)	Fiscal Year 2012	2011	2010
By Expense Category:			
Cost of product sales and services	$ 0.7	$0.4	$ 0.2
Research and development	0.9	1.9	0.6
Selling and administrative	3.6	2.3	2.4
Discontinued operations	—	0.2	—
Total share-based compensation expense	$ 5.2	$4.8	$ 3.2
By Types of Award:			
Options	$ 2.6	$2.4	$ 2.5
Restricted stock awards	1.8	1.2	1.0
Performance shares	0.8	1.2	(0.3)
Total share-based compensation expense	$ 5.2	$4.8	$ 3.2

As of June 29, 2012, there was $6.1 million of total unrecognized compensation expense related to nonvested stock options and restricted stock awards and units granted under our 2007 Stock Equity Plan. This expense is expected to be recognized over a weighted-average period of 1.9 years.

Stock Options

A summary of the combined stock option activity under our equity plans during fiscal 2012 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
			(Years)	($ in millions)
Options outstanding as of July 1, 2011	3,784,911	$ 7.70	4.53	$ 1.2
Granted	2,955,710	$ 2.33		
Exercised	—			
Forfeited	(981,166)	$ 5.05		
Expired	(86,366)	$23.73		
Options outstanding as of June 29, 2012	5,673,089	$ 4.96	5.27	$ 1.3
Options exercisable as of June 29, 2012	2,171,489	$ 8.23	3.81	$—
Options vested and expected to vest as of June 29, 2012	5,279,334	$ 5.14	5.10	$ 1.2

The aggregate intrinsic value represents the total pre-tax intrinsic value or the aggregate difference between the closing price of our common stock on June 29, 2012 of $2.80 and the exercise price for in-the-money options that would have been received by the optionees if all options had been exercised on June 29, 2012. The options expected to vest are the result of applying the pre-vesting forfeiture rate assumptions to total outstanding options.

Additional information related to our stock options is summarized below:

(In millions, except per share amounts)	Fiscal Year 2012	2011	2010
Weighted average grant date fair value per share granted	$1.22	$2.41	$3.16
Intrinsic value of options exercised	$ —	$ —	$ —
Fair value of options vested	$ 3.0	$ 2.6	$ 1.9

The fair value of each option grant under our 2007 Stock Equity Plan was estimated using the Black-Scholes option pricing model on the date of grant. A summary of the significant weighted average assumptions we used in the Black-Scholes valuation model is as follows:

	Fiscal Year 2012	2011	2010
Expected dividends	— %	— %	— %
Expected volatility	65.9%	63.7%	61.1%
Risk-free interest rate	0.73%	1.32%	2.35%
Expected term (years)	4.46	4.35	4.41

Expected volatility is based on a hybrid method of implied volatility for the expected term of the options from our stock price and a group of peer companies whose share prices are publicly available. The expected term of the options is calculated using the simplified method described in the SEC's Staff Accounting Bulletins Topic 14.D.2. We use the simplified method because we do not have sufficient stock option exercise data and the types of employees that receive share option grants have been significantly changed due to the implementation of our 2012 global equity plan, under which we granted share-based awards to employees who are not eligible for the long-term incentive programs. 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. The expected dividend yield is zero because we have not historically paid dividends and have no intention to pay dividends. The following summarizes all of our stock options outstanding and exercisable as of June 29, 2012:

	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
$1.72 — $2.11	1,288,100	6.37	$ 2.08	—	
$2.37 — $2.71	1,506,681	6.39	$ 2.55	—	
$2.97 — $5.97	1,355,220	4.86	$ 4.97	925,523	$ 5.10
$6.00 — $16.04	1,370,723	3.41	$ 8.49	1,093,601	$ 9.05
$16.27 — $24.60	152,365	2.21	$21.32	152,365	$21.32
$1.72 — $24.60	5,673,089	5.19	$ 4.96	2,171,489	$ 8.23

Restricted Stock

A summary of the status of our restricted stock as of June 29, 2012 and changes during fiscal 2012 are as follows:

	Shares	Weighted Average Grant Date Fair Value
Restricted stock outstanding as of July 1, 2011	732,120	$5.03
Granted	1,029,686	$2.53
Vested and released	(251,338)	$5.07
Forfeited	(208,154)	$3.41
Restricted stock outstanding as of June 29, 2012	1,302,314	$3.01

The fair value of each restricted stock grant is based on the closing price of our common stock on the date of grant and is amortized to compensation expense over its vesting period. The total fair value of restricted stock that vested during fiscal 2012, 2011 and 2010 was $0.6 million, $0.7 million and $1.6 million, respectively.

Performance Share Awards

A summary of the status of our performance shares as of June 29, 2012 and changes during fiscal 2012 are as follows:

	Shares	Weighted Average Grant Date Fair Value
Performance shares outstanding as of July 1, 2011	931,418	$4.56
Granted	921,979	$2.53
Vested and released	(122,485)	$4.04
Forfeited due to target thresholds not achieved	(283,216)	$3.21
Forfeited due to terminations	(130,896)	$4.75
Performance shares outstanding as of June 29, 2012	1,316,800	$3.63

The fair value of each performance share is based on the closing price of our common stock on the date of grant and is amortized to compensation expense over its vesting period if achievement of the performance conditions is considered probable. Any previously recognized compensation cost would be reversed if the performance condition is not satisfied or if it is not probable that the performance conditions will be achieved.

The total fair value of performance share awards that vested during fiscal 2012, 2011 and 2010 was $0.3 million, $1.2 million and $0.0 million, respectively.

Class A and Class B Common Stock

From the time we acquired Stratex Networks, Inc. ("Stratex") on January 26, 2007, Harris owned 32,913,377 shares or 100% of our Class B Common Stock which approximated 56% of the total shares of our common stock. On May 27, 2009 Harris effected a spin-off, in the form of a taxable pro rata stock dividend, to its stockholders of all the shares of Harris Stratex owned by Harris. Harris stockholders received approximately 0.24 of a share of Harris Stratex Class A Common Stock for every share of Harris common stock they owned on the record date. The Class B Common Stock automatically converted to Class A Common Stock upon the spin-off event. Following the distribution, only Class A Common Stock was outstanding.

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

Note 11. Segment and Geographic Information

We operate in one reportable business segment: the design, manufacturing and sale of a range of wireless networking products, solutions and services. We conduct business globally and our sales and support activities are managed on a geographic basis. Our Chief Executive Officer is the Chief Operating Decision Maker (the "CODM"). As of the third quarter of fiscal 2012, we were organized into two geographic segments: North America and International. During the fourth quarter of fiscal 2012, we re-evaluated our reportable segments primarily due to changes in our management, transition of our products to a common product platform across all geographies, streamlining of our business and substantial completion of our restructuring plan in fiscal 2012. Our CODM manages our business primarily by function globally and reviews financial information on a consolidated basis, accompanied by disaggregated information about revenues by geographic region, for purposes of allocating resources and evaluating financial performance. The profitability of our former geographic segments is not a determining factor in allocating resources and the CODM does not evaluate profitability below the level of the consolidated company.

We report revenue by region and country based on the location where our customers accept delivery of our products and services. Revenue by region for 2012, 2011 and 2010 are as follows:

(In millions)	Fiscal Year 2012	2011	2010
North America	$164.9	$160.4	$174.8
Africa and Middle East	147.7	143.6	162.8
Europe and Russia	53.6	73.4	46.4
Latin America and Asia Pacific	77.8	74.7	81.5
Total Revenue	$444.0	$452.1	$465.5

Revenue by country comprising more than 5% of our sales to unaffiliated customers for fiscal 2012, 2011 and 2010 are as follows:

(In millions, except %)	Revenue	% of Total Revenue
Fiscal 2012:		
United States	$161.6	36.4%
Nigeria	$ 94.5	21.3%
France	$ 27.9	6.3%
Fiscal 2011:		
United States	$147.2	32.6%
Nigeria	$ 78.0	17.3%
Fiscal 2010:		
United States	$157.1	33.8%
Nigeria	$ 83.8	18.0%
Saudi Arabia	$ 33.0	7.1%

Long-lived assets consisted primarily of identifiable intangible assets and property, plant and equipment. Long-lived assets by location as of June 29, 2012 and July 1, 2011 are as follows:

(In millions)	June 29, 2012	July 1, 2011
United States	$15.5	$16.0
Singapore	2.4	4.8
United Kingdom	3.6	3.7
Other countries	3.6	3.5
Total	$25.1	$28.0

Note 12. Income Taxes

Loss from continuing operations before provision for (benefit from) income taxes during fiscal year 2012, 2011 and 2010 is as follows:

	2012	2011	2010
		(In millions)	
United States	$ (5.6)	$(32.3)	$ (80.4)
Foreign	(8.4)	(12.4)	(31.8)
Total	$(14.0)	$(44.7)	$(112.2)

Provision (benefit) for income taxes from continuing operations for fiscal year 2012, 2011 and 2010 are summarized as follows:

	2012	2011	2010
		(In millions)	
Current provision:			
United States	$ 0.1	$ 0.1	$(4.4)
Foreign	1.4	2.0	4.8
State and local	—	—	—
	1.5	2.1	0.4
Deferred provision (benefit):			
United States	—	—	—
Foreign	—	12.0	(4.2)
State and local	—	—	—
	—	12.0	(4.2)
Total provision (benefit)	$ 1.5	$14.1	$(3.8)

The following table summarizes the significant differences between the U.S. Federal statutory tax rate and our effective tax rate from continuing operations for fiscal year 2012, 2011 and 2010:

	2012	2011	2010
Statutory U.S. Federal tax rate	(35.0)%	(35.0)%	(35.0)%
Valuation allowances	12.8%	51.9%	5.7%
State and local taxes, net of U.S. Federal tax benefit	(1.7)%	(3.4)%	(0.5)%
Goodwill impairment not deductible	6.6%	0.2%	0.9%
Foreign income taxed at rates less than the U.S. statutory rate	4.4%	9.0%	7.6%
Dividend from foreign subsidiary	12.1%	— %	15.6%
Foreign Branch Income/Withholding Taxes	7.2%	6.3%	1.6%
Other	4.4%	2.5%	0.7%
Effective tax rate	10.8%	31.5%	(3.4)%

The income tax expense from continuing operations for fiscal year 2012 was $1.5 million. The variation between our income tax expense from continuing operations and income tax benefit at the statutory rate of 35% on our pre-tax loss of $14.0 million was primarily attributable to losses in tax jurisdictions in which we cannot recognize a tax benefit. The tax expense for fiscal year 2012 of $1.5 million million was primarily attributable to profitable foreign entities for which we have accrued income taxes.

The income tax expense from continuing operations for fiscal year 2011 was $14.1 million. The variation between our income tax expense from continuing operations of $14.1 million and income tax benefit at the statutory rate of 35% on our pre-tax loss of $44.7 million was primarily due to an $11.3 million increase in valuation allowance for Singapore deferred tax assets as of the beginning of fiscal 2011 and a $1.4 million foreign branch withholding tax accrual. The expense was partially offset by a valuation allowance release of $1.6 million on Mexico deferred tax assets as of the beginning of fiscal year 2011.

The components of deferred tax assets and liabilities are as follows:

	June 29, 2012		July 1, 2011	
	Current	Non-Current	Current	Non-Current
	(In millions)			
Deferred tax assets:				
Inventory	$ 9.9	$ —	$ 16.2	$ —
Accruals and reserves	4.2	0.1	6.2	0.1
Unrealized impairment loss	—	—	3.7	—
Bad debts	4.6	—	3.8	—
Depreciation	—	3.8	—	4.3
Amortization	—	12.3	—	11.9
Stock compensation	—	4.6	—	5.4
Deferred revenue	—	1.9	—	2.9
Unrealized exchange gain/loss	3.5	—	3.4	—
Other	—	4.6	—	5.1
Tax credit carryforwards	—	14.8	—	13.8
Tax loss carryforwards	—	130.1	—	121.1
Total deferred tax assets	22.2	172.2	33.3	164.6
Valuation allowance	(21.2)	(171.8)	(32.5)	(163.9)
Net deferred tax assets	1.0	0.4	0.8	0.7
Deferred tax liabilities:				
Branch undistributed earnings reserve	1.3	0.1	0.9	0.5
Depreciation	—	0.8	—	0.9
Total deferred tax liabilities	1.3	0.9	0.9	1.4
Net deferred tax liability	$ (0.3)	$ (0.5)	$ (0.1)	$ (0.7)

Our valuation allowance related to deferred income taxes, as reflected in our consolidated balance sheet, was $193.0 million as of June 29, 2012 and $196.4 million as of July 1, 2011. The decrease in valuation allowance from fiscal 2011 to fiscal 2012 was primarily due to our release of valuation allowance on certain foreign jurisdiction's deferred tax assets.

Tax loss and credit carryforwards as of June 29, 2012 have expiration dates ranging between one year and no expiration in certain instances. The amount of U.S. federal tax loss carryforwards as of June 29, 2012 and July 1, 2011 were $271.0 million and $249.7 million and begin to expire in fiscal 2022. Credit carryforwards as of June 29, 2012 and July 1, 2011 were $20.9 million and $20.3 million and certain credits began to expire in fiscal 2012. The amount of foreign tax loss carryforwards as of June 29, 2012 and July 1, 2011 was $143.0 million and $163.9 million, respectively.

We established our international headquarters in Singapore and received a five year favorable tax ruling resulting from an application filed by us with the Singapore Economic Development Board ("EDB") effective January 26, 2007. The tax incentive period ended on January 31, 2012. Due to the tax losses in Singapore, we did not realize any tax benefits in Singapore during fiscal year 2012.

United States income taxes have not been provided on basis differences in foreign subsidiaries of $6.3 million and $12.4 million as of June 29, 2012 and July 1, 2011, because of our intention to reinvest these earnings indefinitely. The residual U.S. tax liability, if such amounts were remitted, would be nominal.

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 was no settlement payments recorded in fiscal year 2012, 2011 or 2010.

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 June 29, 2012 and July 1, 2011, we had a liability for unrecognized tax benefits of $13.4 million and $14.0 million for various federal, foreign, and state income tax matters. Unrecognized tax benefits decreased by $0.6 million. Our total unrecognized tax benefits that, if recognized, would affect our effective tax rate were $4.2 million as of both June 29,2012 and July 1, 2011.

We account for interest and penalties related to unrecognized tax benefits as part of our provision for income taxes. We did not accrue an additional amount for such interest as of June 29, 2012 and July 1, 2011. No penalties have been accrued.

We expect that the amount of unrecognized tax benefit may change in the next twelve months. We believe that we have adequately provided for any reasonably foreseeable outcomes related to our tax audits.

Our unrecognized tax benefit activity for fiscal 2012, 2011 and 2010 is as follows (in millions):

(In millions)	Amount
Unrecognized tax benefit as of July 3, 2009	$ 30.9
Additions for tax positions in prior periods	1.3
Decreases for tax positions in prior periods	(17.3)
Unrecognized tax benefit as of July 2, 2010	14.9
Additions for tax positions in prior periods	1.3
Decreases for tax positions in prior periods	(2.2)
Unrecognized tax benefit as of July 1, 2011	14.0
Additions for tax positions in current periods	—
Decreases for tax positions in prior periods	(0.6)
Unrecognized tax benefit as of June 29, 2012	$ 13.4

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, and Nigeria. The earliest years still open and subject to potential audits for these jurisdictions are as follows: U.S. — 2003; Singapore — 2005; Nigeria — 2004;

In fiscal year 2011, our Nigerian entity was notified that it was being audited for fiscal year 2004 through 2009 by the Federal Inland Revenue Service. During fiscal year 2012, the audit is still in the preliminary stage and we are working with the Federal Inland Revenue Service on responses to its inquires. In the current year, the Inland Revenue Authority of Singapore started a compliance review of our Singapore subsidiary for fiscal year 2007 through 2009.

Note 13. Derivative Financial Instruments and Hedging Activities

We use derivative instruments to manage our market exposures to foreign currency risk. Our objectives for using derivatives are to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates. We do not hold or issue derivatives for trading purposes or make speculative investments in foreign currencies. All derivative instruments are carried on the balance sheet at fair value.

Our major foreign currency hedging activities are described below:

Cash Flow Hedges. We use currency forward contracts to hedge exposures related to certain forecasted foreign currency transactions relating to revenue, product costs, operating expenses and intercompany transactions. As of June 29, 2012, hedged transactions included our customer and intercompany backlog and outstanding purchase commitments denominated primarily in the Australian dollar, Euro, Polish zloty and South Africa rand. These derivatives are designated as cash flow hedges and typically have maturities from one to three months with a maximum of six months, which in general closely match the underlying forecasted transaction in duration.

We measure the effectiveness of the hedges of forecasted transactions on a monthly basis by comparing the fair values of the designated currency forward contracts with the fair values of the forecasted transactions. The effective portion of the contract's gain and loss is initially recognized in other comprehensive income or loss ("OCI") and, upon occurrence of the forecasted transaction, is reclassified into the income or expense line item to which the hedged transaction relates. Any ineffective portion of the derivative hedging gain or loss as well as changes in the fair value of the derivative's time value (which are excluded from the assessment of hedge effectiveness) is recorded in current period earnings, specifically, in cost of product sales as these gains and losses are considered by us to be operational in nature. If the forecasted transaction does not occur, or it becomes probable that it will not occur, the gain or loss on the related cash flow hedge is recognized immediately in cost of product sales.

As of June 29, 2012, it is expected that less than $0.1 million of derivative net loss on both outstanding and matured derivatives recorded in AOCI will 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 to be reclassified to net income or loss depend on the exchange rates in effect when currently outstanding derivative contracts mature.

Balance Sheet Hedges. We also use foreign exchange forward contracts to mitigate the gains and losses generated from the re-measurement of certain monetary assets and liabilities denominated in a foreign currency, including primarily cash balances, third party accounts receivable and accounts payable, and intercompany transactions recorded on the balance sheet. These derivatives are not designated and do not qualify as hedge instruments and accordingly are carried at fair value with changes recorded in the cost of product sales in current period. Changes in the fair value of these derivatives are largely offset by re-measurement of the underlying assets and liabilities. These derivatives have maturities of approximately one month.

The following table presents the gross notional value of all our foreign exchange forward contracts outstanding as of June 29, 2012 and July 1, 2011:

	June 29, 2012		July 1, 2011	
(In millions)	**Local Currency Amount**	**Notional Contract Amount (USD)**	**Local Currency Amount**	**Notional Contract Amount (USD)**
Cash flow hedges:				
Australian dollar	1.2	$ 1.2	0.6	$ 0.6
Euro	3.3	4.2	2.7	3.9
Polish zloty	6.4	1.9	8.7	3.1
Republic of South Africa rand	37.4	4.5	1.2	0.2
Other	N/A	0.4	N/A	1.6
Total cash flow hedges		12.2		9.4
Balance sheet hedges:				
Australian dollar	2.4	2.4	1.6	1.7
Canadian dollar	1.5	1.5	4.2	4.3
Euro	4.9	6.2	15.1	21.3
Philippine peso	158.1	3.8	181.1	4.2
Polish zloty	18.9	5.6	23.8	8.4
Singapore dollar	0.8	0.6	2.6	2.1
Thailand baht	34.4	1.1	63.9	2.1
Republic of South Africa rand	24.1	2.9	39.1	5.7
Other	N/A	2.0	N/A	2.3
Total non-designated hedges		26.1		52.1
Total		$38.3		$61.5

The following table presents the fair value of derivative instruments included within our consolidated balance sheet as of June 29, 2012 and July 1, 2011:

	Asset Derivatives			Liability Derivatives		
(In millions)	Balance Sheet Location	June 29, 2012	July 1, 2011	Balance Sheet Location	June 29, 2012	July 1, 2011
Derivatives designated as hedging instruments:						
Foreign exchange forward contracts	Other current assets	$ 0.1	$0.1	Other accrued expenses	$ 0.1	$ 0.1
Derivatives not designated as hedging instruments:						
Foreign exchange forward contracts	Other current assets	—	0.1	Other accrued expenses	—	—
Total derivatives		$ 0.1	$0.2		$ 0.1	$ 0.1

The following table summarizes the location and amount of the gains and losses on derivative instruments reported in our financial statements during fiscal 2012, 2011 and 2010:

Locations of Gains (Losses) on Derivative Instruments	Fiscal Year 2012	2011	2010
	(In millions)		
Designated as cash flow hedges (foreign exchange forward contracts):			
Effective portion of gain (loss) recognized in OCI	$ 0.8	$(0.6)	$ 0.6
Effective portion of gain (loss) reclassified from AOCI into:			
Revenue	$(0.9)	$ 0.4	$(0.2)
Cost of Products Sold	$ 0.1	$(0.1)	$ 0.2
Loss associated with excluded time value recognized in cost of product sales	$(0.2)	$(0.2)	$ 0.2
Gain (loss) due to hedge ineffectiveness recognized in cost of product sales	$—	$—	$ 0.1
Not designated as cash flow hedges (foreign exchange forward contracts):			
Gain (loss) recognized in cost of product sales	$ 1.2	$(2.3)	$(0.4)

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 for 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.

The credit facilities we have with financial institutions under which we transact foreign exchange transactions are generally restricted to a total notional amount outstanding, a maximum settlement amount in any one day and a maximum term. There are no formal written agreements supporting these facilities other than the financial institutions' general terms and conditions for trading. 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 14. Commitments and Contingencies

Operating Lease Commitments

We lease office and manufacturing facilities under non-cancelable operating leases expiring at various dates through April 2020. We lease approximately 129,000 square feet of office space in Santa Clara, California as our corporate headquarters. As of June 29, 2012, future minimum lease payments for our headquarters total $19.9 million through April 2020.

As of June 29, 2012, our future minimum commitments, net of $1.5 million future proceeds from non-cancelable subleases, for all non-cancelable operating leases with an initial lease term in excess of one year are as follows:

Fiscal Years Ending in June	Amounts (In millions)
2013	$ 4.8
2014	4.2
2015	3.2
2016	3.1
2017	3.0
Thereafter	8.0
Total	$26.3

These commitments do not contain any material rent escalations, rent holidays, contingent rent, rent concessions, leasehold improvement incentives or unusual provisions or conditions.

Rental expense for operating leases, including rentals on a month-to-month basis was $9.3 million, $11.1 million and $12.7 million in fiscal 2012, 2011 and 2010, respectively.

Purchase Orders and Other Commitments

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. As of June 29, 2012, we had purchase obligations with our suppliers or contract manufacturers of $44.9 million outstanding.

Financial Guarantees and Commercial Commitments

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 June 29, 2012, we had no guarantees applicable to our debt arrangements.

We have entered into commercial commitments in the normal course of business including surety bonds, standby letters of credit agreements and other arrangements with financial institutions primarily relating to the guarantee of future performance on certain contracts to provide products and services to customers. As of June 29, 2012, we had commercial commitments of $88.7 million outstanding that were not recorded on our consolidated balance sheets as we have not historically had to pay out on the performance guarantees.

Indemnifications

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 is related to the specific facts of 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 June 29, 2012, we had not recorded any liabilities related to these indemnifications.

Legal Proceedings

Certain of our former executive officers and directors were named in a complaint filed on July 18, 2011 in the United States District Court for the District of Delaware by plaintiff Howard Taylor. Plaintiff purports to bring this action derivatively on behalf of Aviat Networks, which is named as a nominal defendant. Plaintiff brings a claim for breach of fiduciary duty against the officer and director defendants based on the allegations of securities law violations alleged in the class action described above and also alleges that the defendants caused us to acquire MCD at an inflated price. Plaintiff seeks to recover unspecified damages and other relief on behalf of Aviat Networks, as well as payment of costs and attorneys fees. We filed a motion to dismiss on October 3, 2011 and are waiting for the court decision following the hearing on our motion to dismiss which was held on June 4, 2012. We intend to defend our interests in the litigation vigorously. Currently we are unable to determine whether a loss is probable or to reasonably estimate the loss amount related to this matter.

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

Contingent Liabilities

We have unresolved legal and tax matters, as discussed further in "Note 12. Income Taxes" and in this note. 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.

Note 15. Quarterly Financial Data (Unaudited)

The following financial information reflects all normal recurring adjustments, which are, in the opinion of management, necessary for a fair statement of the results of the interim periods. Our fiscal quarters end on the Friday nearest the end of the calendar quarter. Summarized quarterly data for fiscal 2012 and 2011 are as follows:

	Q1 9/30/2011	Q2 12/30/2011	Q3 3/30/2012	Q4 6/29/2012
	(In millions, except per share amounts)			
Fiscal 2012				
Revenue	$111.4	$105.0	$111.6	$116.0
Gross margin	$ 32.7	$ 31.9	$ 34.3	$ 32.8
Operating loss	$ (2.5)	$ (8.6)	$ (0.2)	$ (1.4)
Net loss	$ (6.8)	$ (12.8)	$ (3.2)	$ (1.3)
Per share data:				
Basic and diluted net loss per common share	$ (0.12)	$ (0.22)	$ (0.05)	$ (0.02)

	Q1 10/1/2010	Q2 12/31/2010	Q3 4/1/2011	Q4 7/1/2011
	(In millions, except per share amounts)			
Fiscal 2011				
Revenue	$100.4	$115.3	$115.5	$120.9
Gross margin	$ 26.3	$ 37.4	$ 31.6	$ 32.8
Operating loss	$ (18.1)	$ (3.0)	$ (10.1)	$ (3.4)
Net loss	$ (21.3)	$ (12.5)	$ (36.9)	$ (19.8)
Per share data:				
Basic and diluted net loss per common share	$ (0.36)	$ (0.21)	$ (0.63)	$ (0.34)

The following tables summarize certain charges, expenses, gains and loss from discontinued operations included in our results of operations for each of the fiscal quarters presented:

	Q1 9/30/2011	Q2 12/30/2011	Q3 3/30/2012	Q4 6/29/2012
	(In millions)			
Charges for product transition, product discontinuances and inventory mark-downs	$ 0.1	$0.9	$—	$—
Amortization of purchased technology and intangible assets	0.9	0.8	0.3	0.3
Restructuring charges	0.9	0.1	0.4	0.9
Goodwill impairment charges	—	5.6	—	—
NetBoss bad debt expenses and other	—	0.4	0.5	(0.1)
Transactional tax assessments	—	0.3	0.3	—
Share-based compensation expense	1.0	1.3	1.4	1.5
	$ 2.9	$9.4	$ 2.9	$ 2.6
Loss from discontinued operations	$ 3.1	$2.8	$ 2.4	$ 0.3

	Q1 10/1/2010	Q2 12/31/2010	Q3 4/1/2011	Q4 7/1/2011
	(In millions)			
Charges for product transition, product discontinuances and inventory mark-downs	$ —	$—	$ 3.3	$ 3.3
Amortization of purchased technology and intangible assets	0.8	0.9	0.8	0.9
Restructuring charges	5.6	3.4	4.3	2.1
Amortization of fair value adjustments related to fixed assets and inventory	0.1	0.1	—	—
Rebranding and transitional costs	0.2	0.6	0.1	—
Loss on sale of NetBoss assets	3.9	0.5	—	0.2
Transactional tax assessments	—	0.5	—	2.3
Liquidation of entities	—	—	—	0.8
Other	—	—	—	(0.9)
Share-based compensation expense	0.8	1.2	1.4	1.4
	$11.4	$ 7.2	$ 9.9	$10.1
Loss from discontinued operations	$ 4.3	$ 2.5	$11.3	$13.6

We have not paid cash dividends on our Common Stock and do not intend to pay cash dividends in the foreseeable future.

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 June 29, 2012.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, management has assessed the effectiveness of the Company's internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on our assessment, management has concluded that our internal control over financial reporting was effective as of June 29, 2012.

Ernst & Young LLP, the independent registered public accounting firm that audited the financial statements included in this report has issued an attestation report on our internal control over financial reporting which appears in Item 8. Financial Statements and Supplementary Data in this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

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

Item 9B. *Other Information*

None.

PART III

Certain information required by Part III is omitted from this Annual Report on Form 10-K because we will file a Definitive Proxy Statement with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended June 29, 2012.

Item 10. *Directors, Executive Officers and Corporate Governance*

We adopted a Code of Conduct that is available at www.aviatnetworks.com. No amendments to our Code of Business Ethics or waivers from our Code of Conduct with respect to any of our executive officers or directors have been made. If, in the future, we amend our Code of Conduct or grant waivers from our Code of Conduct with respect to any of our executive officers or directors, we will make information regarding such amendments or waivers available on our corporate website (www.aviatnetworks.com) for a period of at least 12 months.

For information with respect to Executive Officers, see Part I, Item 1 of this Annual Report on Form 10-K, under "Executive Officers of the Registrant."

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 2012 Annual Meeting of Stockholders to be held on or about November 13, 2012 and is incorporated herein by reference.

Item 11. *Executive Compensation*

Information regarding our executive compensation will appear in our definitive Proxy Statement for our 2012 Annual Meeting of Stockholders to be held on or about November 13, 2012 and is incorporated herein by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Equity Compensation Plan Summary

The following table provides information as of June 29, 2012, 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(1)	Weighted-Average Exercise Price of Outstanding Options(2)	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(3)	5,775,642	$ 4.10	6,597,515
Equity Compensation plans not approved by security holders(4)	441,121	$15.12	—
Total	6,216,763	$ 4.96	6,597,515

(1) Under the 2007 Stock Equity Plan, in addition to options, we have granted share-based compensation awards in the form of performance shares, restricted stock, performance share units and restricted stock units. As of June 29, 2012, there were 2,619,064 such awards outstanding under that plan. The outstanding awards consisted of (i) performance share awards at target and restricted stock awards, for which all 2,075,390 shares were issued and outstanding; and (ii) 543,674 performance share unit awards at target and

restricted stock unit awards, for which all 543,674 were payable in shares but for which no shares were yet issued and outstanding. The 5,775,642 shares to be issued upon exercise of outstanding options and vesting of restricted stock units and performance share units as listed in the first column consisted of shares to be issued in respect of the exercise of 5,231,968 outstanding options and in respect of the 543,674 performance share unit awards and restricted stock units awards payable in shares.

(2) Excludes weighted average fair value of restricted stock units and performance share units at issuance date.

(3) Consists solely of our 2007 Stock Equity Plan, as amended and restated effective November 17, 2011.

(4) 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 stockholders of Stratex prior to the merger with us. No shares are available for further issuance.

(5) For further information on our equity compensation plans see "Note 1. The Company and Summary of Significant Accounting Policies" and "Note 10. Stockholders' Equity" 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 2012 Annual Meeting of Stockholders to be held on or about November 13, 2012 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 2012 Annual Meeting of Stockholders to be held on or about November 13, 2012 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 2012 Annual Meeting of Stockholders to be held on or about November 13, 2012 and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report.

1. Financial Statements.

The financial statements of Aviat Networks, Inc. are set forth in Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedules.

Schedule II — Valuation and Qualifying Accounts for the three fiscal years ended June 29, 2012

All other schedules have been omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedules or because the information required is included in the consolidated financial statements or notes thereto.

(b) Exhibits.

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

Ex. #	Description
2.1	Intentionally omitted
2.2	Intentionally omitted
2.3	Intentionally omitted
2.4	Asset Purchase Agreement by and among Aviat U.S., Inc. and EION Networks, Inc., dated as of September 2, 2011 (incorporated by reference to Exhibit 2.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on September 9, 2011, File No. 001-33278)
3.1	Amended and Restated Certificate of Incorporation of Harris Stratex Networks, Inc. as filed with the Secretary of State of the State of Delaware on November 19, 2009 (incorporated by reference to Exhibit 3.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on November 20, 2009, File No. 001-33278)
3.2	Amended and Restated Bylaws of Harris Stratex Networks, Inc. (incorporated by reference to Exhibit 3.2 to the Report on Form 8-K filed with the Securities and Exchange Commission on November 20, 2009, File No. 001-33278)
3.3	Certificate of Ownership and Merger Merging Aviat Networks, Inc. into Harris Stratex Networks, Inc., effective January 27, 2010, as filed with the Secretary of State of the State of Delaware on January 27, 2010 (incorporated by reference to Exhibit 3.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on January 28, 2010, File No. 001-33278)
4.1	Intentionally omitted
4.1.1	Specimen common stock certificate, adopted as of January 29, 2010 (incorporated by reference to Exhibit 4.1.1 to the Company's Annual Report on Form 10-K for fiscal year end July 2, 2010 filed with the Securities and Exchange Commission on September 9, 2010, File No. 001-33278)
4.2	Intentionally omitted

Ex. #	Description
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10.1	Intentionally omitted
10.2	Intentionally omitted
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)
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10.6	Intentionally omitted
10.6.1	Intentionally omitted
10.7	Intentionally omitted
10.8	Intentionally omitted
10.9	Intentionally omitted
10.10	Tax Sharing Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.11 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.11	Intentionally omitted
10.12*	Intentionally omitted
10.13*	Intentionally omitted
10.13.1*	Intentionally omitted
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	Intentionally omitted
10.17*	Harris Stratex Networks, Inc. Annual Incentive Plan (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2008 filed with the Securities and Exchange Commission on September 25, 2008, File No. 001-33278)
10.18*	Harris Stratex Networks, Inc. 2007 Stock Equity Plan (incorporated by reference to Exhibit 4.9 to the Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 5, 2007, File No. 333-140442)
10.18.1	Harris Stratex Networks, Inc. 2007 Stock Equity Plan (As Amended and Restated Effective November 19, 2009) (incorporated by reference to Appendix B to the Registrant's Schedule 14A filed with the Securities and Exchange Commission on October 7, 2009, File No. 001-33278)
10.18.2	Aviat Networks, Inc. 2007 Stock Equity Plan (As Amended and Restated Effective November 17, 2011) (incorporated by reference to Appendix A to the Registrant's Schedule 14A filed with the Securities and Exchange Commission on October 3, 2011, File No. 001-33278)

Ex. #	Description
10.19	Intentionally omitted
10.19.1	Intentionally omitted
10.20	Intentionally omitted
10.20.1	Intentionally omitted
10.20.2	Loan and Security Agreement between Aviat Networks, Inc., Aviat U.S., Inc., Aviat Networks (S) Pte Ltd. and Silicon Valley Bank, dated September 30, 2010 (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on October 4, 2010, File No. 001-33278)
10.21	Intentionally omitted
10.22*	Intentionally omitted
10.22.1*	Employment Agreement, effective as of October 31, 2011, between Aviat Networks, Inc. and Edward J. Hayes, Jr. (incorporated by reference to the Report on Form 8-K filed with the Securities and Exchange Commission on October 31, 2011, File No. 001-33278)
10.23*	Employment Agreement, dated as of April 1, 2006, between Harris Stratex Networks, Inc. and Heinz Stumpe (incorporated by reference to Exhibit 10.15.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2007 filed with the Securities and Exchange Commission on May 8, 2007, File No. 001-33278)
10.24*	Employment Agreement, dated as of May 14, 2002, between Stratex Networks, Inc. and Paul Kennard (incorporated by reference to Exhibit 10.1 to the Stratex Networks, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006 filed with the Securities and Exchange Commission on August 9, 2006, File No. 000-15895)
10.24.1*	Amendment A, effective as of April 1, 2006, to Employment Agreement, dated May 14, 2002, between Stratex Networks, Inc. and Paul Kennard (incorporated by reference to Exhibit 10.2 to the Stratex Networks, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006 filed with the Securities and Exchange Commission on August 9, 2006, File No. 000-15895)
10.24.2*	Amendment B, effective as of April 1, 2006, to Employment Agreement, dated May 14, 2002, between Stratex Networks, Inc. and Paul Kennard (incorporated by reference to Exhibit 10.3 to the Stratex Networks, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006 filed with the Securities and Exchange Commission on August 9, 2006, File No. 000-15895)
10.25*	Employment Agreement, dated as of May 14, 2002, between Stratex Networks, Inc. and Shaun McFall (incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended July 3, 2009 filed with the Securities and Exchange Commission on September 4, 2009, File No. 001-33278)
10.25.1*	Amendment, effective April 1, 2006, to Employment Agreement, dated May 14, 2002, between Stratex Networks, Inc. and Shaun McFall (incorporated by reference to Exhibit 10.25.1 to the Company's Annual Report on Form 10-K for the fiscal year ended July 3, 2009 filed with the Securities and Exchange Commission on September 4, 2009, File No. 001-33278)
10.26*	Intentionally omitted
10.26.1*	Intentionally omitted
10.27*	Intentionally omitted
10.28*	Employment Agreement, dated July 18, 2011, between Aviat Networks, Inc. and Michael Pangia (incorporated by reference to the Report on Form 8-K filed with the Securities and Exchange Commission on July 20, 2011, File No. 001-33278)

Ex. #	Description
10.29*	Employment Agreement, dated December 30, 2010, between Aviat Networks, Inc. and John Madigan (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on January 4, 2011, File No. 001-33278)
10.30	Moved to item number 10.20.2
10.31	Intentionally omitted
21	List of Subsidiaries of Aviat Networks, Inc.
23	Consent of Independent Registered Public Accounting Firm
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* Management compensatory contract, arrangement or plan required to be filed as an exhibit pursuant to Item 15(b) of this report.

** XBRL information is furnished and not filed herewith, is not a part of a registration statement or Prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

SIGNATURES

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

AVIAT NETWORKS, INC.
(Registrant)

By: /s/ Michael A. Pangia
Michael A. Pangia
President and Chief Executive Officer

Date: September 4, 2012

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/ Michael A. Pangia Michael A. Pangia	President and Chief Executive Officer (Principal Executive Officer)	September 4, 2012
/s/ Edward J. Hayes, Jr. Edward J. Hayes, Jr.	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	September 4, 2012
/s/ John J. Madigan John J. Madigan	Vice President, Corporate Controller and Principal Accounting Officer (Principal Accounting Officer)	September 4, 2012
/s/ Charles D. Kissner Charles D. Kissner	Chairman of the Board	September 4, 2012
/s/ William A. Hasler William A. Hasler	Director	September 4, 2012
/s/ Clifford H. Higgerson Clifford H. Higgerson	Director	September 4, 2012
/s/ Raghavendra Rau Raghavendra Rau	Director	September 4, 2012
/s/ Dr. Mohsen Sohi Dr. Mohsen Sohi	Director	September 4, 2012
/s/ James C. Stoffel James C. Stoffel	Lead Independent Director	September 4, 2012
/s/ Edward F. Thompson Edward F. Thompson	Director	September 4, 2012

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
AVIAT NETWORKS, INC.

Years Ended June 29, 2012, July 1, 2011 and July 2, 2010

	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions Describe	Balance at End of Period
		(In millions)		
Allowances for collection losses:				
Year ended June 29, 2012	$ 14.2	$ 3.9	$ 1.9(A)	$ 16.2
Year ended July 1, 2011	$ 13.3	$ 2.9	$ 2.0(B)	$ 14.2
Year ended July 2, 2010	$ 27.0	$ 2.6	$16.3(C)	$ 13.3
Deferred tax asset valuation allowance:(D)				
Year ended June 29, 2012	$196.4	$ —	$ 3.4	$193.0
Year ended July 1, 2011	$183.4	$13.0	$ —	$196.4
Year ended July 2, 2010	$168.9	$14.5	$ —	$183.4

Note A Consists of changes to allowance for collection losses of $0.7 million for foreign currency translation gains and $1.2 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 $0.4 million for foreign currency translation losses, $1.7 million in additions from the sale of NetBoss assets and $4.1 million for uncollectible accounts charged off, net of recoveries on accounts previously charged off.

Note C Consists of changes to allowance for collection losses of $16.3 million for uncollectible accounts charged off, net of recoveries on accounts previously charged off.

Note D Additions to deferred tax valuation allowance are recorded as expense and reductions to tax valuation allowance are recorded as benefit.

EXHIBIT INDEX

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10.20.1	Intentionally omitted
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32.1	Section 1350 Certification of Chief Executive Officer
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Ex. #	Description
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

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** XBRL information is furnished and not filed herewith, is not a part of a registration statement or Prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

Appendix

Stockholder Information

Executive Offices
Aviat Networks, Inc.
5200 Great America Parkway
Santa Clara, CA 95054
(408) 567-7000

Independent Public Accountants
KPMG LLP

Transfer Agent and Registrar
BNY Mellon Shareowner Services
480 Washington Blvd
Jersey City, NJ 07310
or
PO Box 358015
Pittsburgh, PA 15252-8015
Tel: (800) 605-4748
TDD for hearing Impaired: 800-231-5469
Foreign Shareowners: 201-680-6578
TDD Foreign Shareowners: 201-680-6610
Web Site address: www.bnymellon.com/shareowner/equityaccess

Investor Relations Contact
Investor Relations
408-567-7117
InvestorInfo@aviatnet.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:

Aviat Networks, Inc.
Attn: Investor Relations
5200 Great America Parkway
Santa Clara, California 95054

2012 Annual Report
We have published this 2012 Annual Report to Stockholders, including the Consolidated Financial Statements and Management's Discussion and Analysis, as an appendix to our Proxy Statement. Further information regarding various aspects of our business can be found on our Web site (www.Aviatnetworks.com).

Electronic Delivery
In an effort to reduce paper mailed to your home, we offer stockholders the convenience of viewing the Proxy Statement, Annual Report to Stockholders and related materials online. With your consent, we can stop sending future paper copies of these documents to you by mail. To participate, follow the instructions at www.icsdelivery.com.

To Our Shareholders

Online Voting at http://proxy.georgeson.com
If you are a registered stockholder, you may now use the Internet to transmit your voting instructions any time before 5:00 p.m. EDT on November 12, 2012. Have your proxy card in hand when you access the Web site. You will be prompted to enter your Control Number to obtain your records and create an electronic voting instruction form.

www.Aviatnetworks.com
The Aviat Networks Web site provides access to a wide variety of information, including products, 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 event announcements and SEC documents are added to the site.

www.melloninvestor.com
The Mellon Investor Services Web site provides access to an Internet self-service product, Investor Service DirectSM ("ISD"). Through ISD, registered stockholders can view their account profiles, stock certificate histories, Form 1099 tax information, current stock price quote (20-minute delay) and historical stock prices. Stockholders may also request the issuance of stock certificates, duplicate Form 1099s, safekeeping of stock certificates or an address change.

Corporate Directory

Officers

Michael Pangia
President and Chief Executive Officer

Edward J. Hayes, Jr.
Sr. Vice President and Chief Financial Officer

Paul A. Kennard
Sr. Vice President and Chief Technology Officer

Shaun McFall
Sr. Vice President and Chief Marketing Officer

Heinz H. Stumpe
Sr. Vice President and Chief Sales Officer

Meena L. Elliott
Sr. Vice President, General Counsel and Secretary

John Madigan
Vice President, Corporate Controller, Principal Accounting Officer

Directors

Charles D. Kissner
Chairman of the Board
Aviat Networks, Inc.
Director
ShoreTel, Inc.
Meru Networks, Inc..
Rambus, Inc.

William A. Hasler
Director
Ditech Networks, Inc.
Globalstar, Inc.
Mission West Properties, Inc.

Clifford H. Higgerson
General Partner
Vangard Venture Partners
Walden International

Raghavendra Rau
CEO & Director
Sea Change International, Inc.

Dr. Mohsen Sohi
Speaker of the Management Board
Freudenberg & Co. KG
Director
Steris Corporation

Dr. James C. Stoffel
Lead Independent Director
Aviat Networks, Inc.
Director
Harris Corporation

Edward F. Thompson
Director
InnoPath Software, Inc.
ShoreTel, Inc.
XBridge Systems, Inc.

Outside Legal Counsel
Bingham McCutchen LLP
Palo Alto, CA

Headquarters and Operations

Corporate Headquarters
Aviat Networks, Inc.
5200 Great America Parkway
Santa Clara, CA 95054
United States

International Headquarters, Singapore
Aviat Networks (S) Pte. Ltd.
17, Changi Business Park Central 1
Honeywell Building, #04-01
Singapore 486073

Offices

North America
Alpharetta, GA
Montréal, Canada
Morrisville, NC
San Antonio, TX

Europe
Aix En Provence, France
Bucharest, Romania
Cascais, Portugal
Châtenay-Malabry, France
Dublin, Ireland
Glasgow, Scotland
Hilversum, The Netherlands
London, United Kingdom
Madrid, Spain
Moscow, Russia
Nuneaton, United Kingdom
Trin-Ljubljana, Slovenia
Warsaw, Poland

Mexico
Mexico D.F.

Africa
Abidjan, Côte d'Ivoire
Accra, Ghana
Alger, Algeria
Lagos, Nigeria
Midrand, South Africa
Nairobi, Kenya

Middle East
Dubai, United Arab Emirates
Riyadh, Saudi Arabia

Asia & Pacific Rim
Bangkok, Thailand
Colombo, Sri Lanka
Dhaka, Bangladesh
Gurgaon, India
Jakarta, Indonesia
Manila, Philippines
Kuala Lumpur, Malaysia
Shenzhen, China
Singapore
Sydney, Australia
Wellington, New Zealand

South America
Buenos Aires, Argentina

Forward-looking Statements
This Annual Report, including the letter to shareholders, contains forward-looking statements that are based on the views of management regarding future events at the time of publication of this report. These forward-looking statements, which include, but are not limited to: our plans, strategies and objectives for future operations; new products, services or developments; future economic conditions; outlook; impact on operating results due to the volume, timing, customer, product and geographic mix of our product orders; our growth potential and the potential of industries and the markets we serve, are subject to the known and unknown Risks, uncertainties and other factors that may cause our actual results to be materially different from those expressed or implied by each forward-looking statement. These risks, uncertainties and other factors are discussed in the 2012 Form 10-K.

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