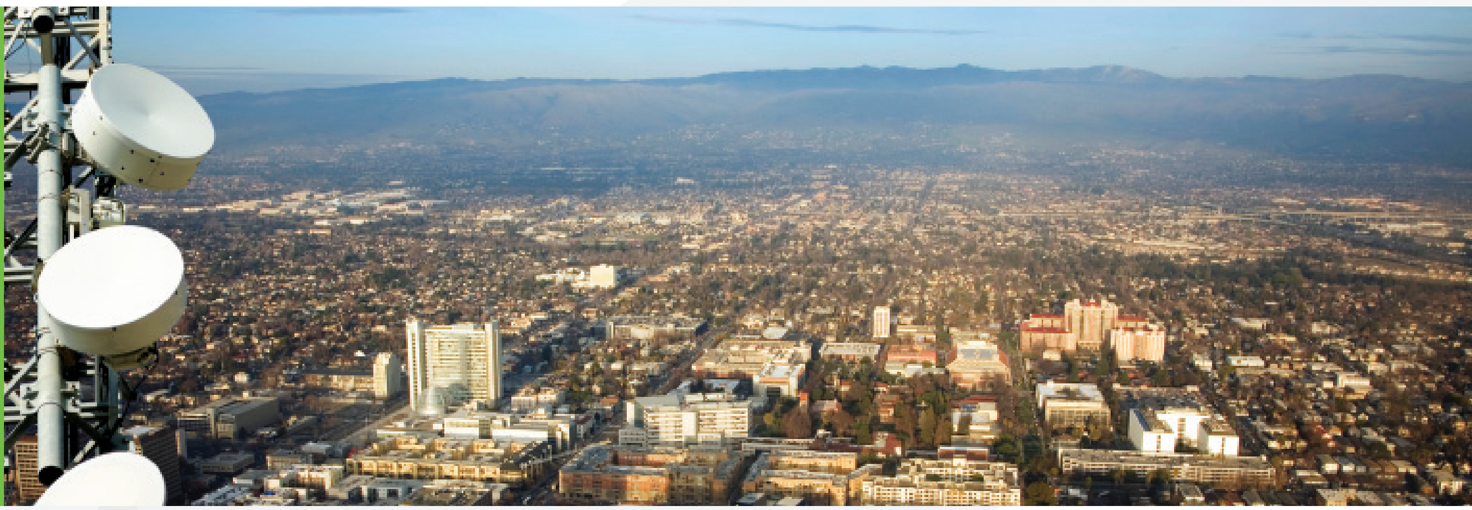
AVIAT NETWORKS

ANNUAL REPORT 2011



Letter to Stockholders

October 3, 2011

To Our Stockholders:

Fiscal 2011 was another challenging year for Aviat Networks, but also one of accomplishment. On August 12, 2010, we announced a restructuring plan, and subsequently a comprehensive strategic plan to return to profitability and innovation leadership to drive sustainable growth. Our objectives were to:

- focus on our core competency of wireless transmission in order to restore performance and value leadership over competitive solutions;
- establish a more competitive cost base;
- reengineer the Company to move faster and more aggressively;
- accomplish the transition of our North American business to Eclipse, an industry-leading product platform; and
- complete the outsourcing of our manufacturing

Overall, we are pleased to report that we have made significant progress in all of our key goals. We consolidated and closed facilities, implemented major cost reductions in both our business and product lines, fully outsourced our manufacturing and successfully sold our non-core businesses; NetBoss and WiMAX.

In fiscal year 2011, we released several new features and enhancements to our flagship Eclipse platform, which has resulted in an improved competitive position. The transition of our North American business to Eclipse has been a major driver in strengthening our position in this critical geographic segment.

As a result of our efforts, we began fiscal year 2012 with a stronger financial model and improved cost structure. We continue to face a difficult business environment, but we remain focused on maintaining the fast paced momentum we began in fiscal year 2011. We will continue to improve our financial model, strengthen our balance sheet and focus on developing innovative, cost competitive and high performing products to meet our customers' needs.

Our Fiscal Year 2011 Financial Results

For fiscal year 2011, the Company reported revenue, excluding discontinued operations, of $452.1 million, compared with revenue, excluding discontinued operations, of $465.5 million in the prior year. GAAP net loss for fiscal year 2011 was $90.5 million, or $(1.54) per share, compared to a net loss of $130.2 million, or $(2.19) per share for fiscal year 2010.

Fiscal year 2011 was a transition year and as such, we had several charges that were one-time in nature. Net loss includes $38.6 million of pre-tax charges primarily comprised of $16.3 million for restructuring and rebranding charges, $6.6 million in charges for product transition, $4.6 million for loss on sale of NetBoss assets, $3.6 million for entity consolidations and tax reserves, $3.4 million amortization of purchased intangibles and $4.8 million stock compensation expense. Also included in the GAAP results is the provision for income taxes of $14.1 million and a loss from discontinued operations net of taxes of $31.7 million.

On a non-GAAP basis, net loss was $6.1 million, or $(0.10) per share, compared with net income of $0.4 million, or $0.01 per diluted share, in the prior year.

The Company has now completed its first step in a long term strategic plan to return to profitability and sustainable revenue growth. We will continue to drive multiple actions to further optimize our costs and improve the value-add for our customers.

Our Market Opportunity

The total worldwide mobile backhaul equipment market continues to grow and is projected to reach approximately $7.5 billion by year 2014*. Major factors driving this demand include:

Global wireless subscriber growth. The number of global wireless subscribers is expected to continue to increase facilitated by the introduction of new data-driven smartphones, tablets and broadband applications. Mobile operators have no option but to increase network capacity to meet the needs of this growing subscriber base.

Mobile and fixed wireless telecommunications infrastructures in developing countries. In many places, telecommunications services are inadequate or unreliable because of the lack of existing infrastructure. To service providers in developing countries seeking to increase the availability and quality of telecommunications and Internet access services, wireless solutions are an attractive alternative to the construction or leasing of wireline networks.

Continuing need for other wireless infrastructure. Private networks and utility companies are investing in telecommunications infrastructures to expand their networks and improve efficiencies.

Operational Focus for Fiscal Year 2012

Looking back over the past year, we have been consistent in executing our plan to refocus the Company for future growth and profitability. We have taken cost out of our business and our products, improved operational efficiencies and reorganized the Company to be better positioned to implement the next phase of our business strategy. Many of the actions we took last fiscal year have enabled the Company to emerge as a leaner, financially stronger and more agile business to execute rapidly on new opportunities.

Fiscal year 2011 was about stabilizing, refocusing and restructuring the business. Fiscal year 2012 and beyond will be about the execution of our long term strategy through four key operational objectives:

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

* Source: Infonetics Research Report – March 2011

In fiscal year 2012, we will reallocate internal resources to better align the talents of our sales force with global sales opportunities. In some cases, this means implementing more aggressive tactics on direct sales efforts to acquire new customers. It also means increasing focus on key Tier 1 mobile operators where the sales cycle is long, but where we can deliver significant value. Lastly, it means extending our global reach through the intelligent use of alternative channels where appropriate.

In the third quarter of fiscal year 2011, we announced an all new Eclipse product design with increased RF performance at a lower cost. It has now started shipping to customers with a significant ramp anticipated throughout the second half of fiscal year 2012 and into fiscal year 2013. We are excited about this launch as it is a pivotal new product design that extends our competitive advantage.

Also, we are on track to ship the new IP all outdoor WTM3000 family in 2012. In addition, we have finalized plans and architectures for a whole new generation of our nodal networking products.

Our product capabilities continue to improve and our service capabilities remain a competitive differentiator for us. We will continue to invest in this area and in particular, strengthen our professional service offerings which are becoming increasingly important in the evolution to IP and LTE.

In Closing

This past July, I became the President and CEO of Aviat Networks. Having worked for the Company for over two years in the sales leadership role, I traveled the globe meeting sales teams, employees and customers. During that time I developed a deep respect for our talented employees and an understanding of their commitment to make this Company successful. I also heard from our customers how much they appreciate our responsiveness and respect us for our track record of delivering innovative and highly reliable products and services. Looking ahead, I am excited about the future of Aviat Networks. We now have a Company with better operating leverage, a stronger pipeline of new products, a reinvigorated employee workforce and a loyal customer base.

In closing, 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 2012 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 supply chain savings; our growth potential; and the potential known and unknown risks, uncertainties and other factors that the industry and markets we serve are subject to may cause our actual results to be materially different from those expressed or implied by each forward-looking statement. These risks, uncertainties and other factors are discussed in our 2011 Form 10-K.

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

Notice of 2011 Annual Meeting of Stockholders
To Be Held on November 17, 2011

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

NOTICE IS HEREBY GIVEN that the 2011 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 Thursday, November 17, 2011 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 Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2012.

3. To hold an advisory vote on executive compensation.

4. To hold an advisory vote on the frequency of future advisory votes on executive compensation.

5. To vote on the approval of an increase in the number of shares of common stock authorized for issuance under the Company's Amended and Restated 2007 Stock Equity Plan from 10,400,000 to 16,400,000 shares.

6. 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 22, 2011 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 2011 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

October 3, 2011

Important Notice Regarding the Availability of Proxy Materials
for the Stockholder Meeting to Be Held on November 17, 2011

This proxy statement and our 2011 Annual Report are available at
http://www.proxydocs.com/AVNW

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

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AVIAT NETWORKS, INC.

PROXY STATEMENT

**FOR THE ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON NOVEMBER 17, 2011**

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 2011 Annual Meeting of Stockholders, to be held at 2:00 p.m., local time, November 17, 2011, and any adjournments or postponements thereof. The annual meeting will be held at our facilities located at 5200 Great America Parkway, Santa Clara, California. The telephone number at that location is (408) 567-7000. These proxy materials will be available over the Internet, and for those that have requested to receive the materials in hard copy, the proxy materials are being mailed on or about October 6, 2011 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 2011 Annual Meeting of Stockholders is to obtain stockholder action on the matters outlined in the notice of meeting included with this Proxy Statement. All holders of shares of common stock of record at the close of business on September 22, 2011 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 Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2012, hold an advisory vote on the approval of executive compensation, hold an advisory vote on the frequency of future advisory votes on executive compensation and vote on the approval of an increase in the number of shares of common stock authorized for issuance under the Company's Amended and Restated 2007 Stock Equity Plan from 10,400,000 to 16,400,000 shares. In addition, management will report on its 2011 performance and respond to stockholders' questions at the annual meeting.

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

The record date for the stockholders entitled to vote at the annual meeting is September 22, 2011. The record date was established by the Board as required by the Delaware General Corporation Law, or DGCL, and our Bylaws. Owners of record of shares of our common stock at the close of business on the record date are entitled to receive notice of the annual meeting and to vote at the annual meeting, and at any adjournments or postponements thereof. You may vote all shares that you owned as of the record date.

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

Each outstanding share of our common stock is entitled to one vote on each matter considered at the annual meeting. As of the record date of September 22, 2011, the number of outstanding shares of common stock was 60,524,922.

Who can attend the Annual Meeting?

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

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

How do I vote?

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

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

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

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

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

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

This Proxy Statement, the form of proxy card, the Notice and our annual report on SEC Form 10-K for the fiscal year ended July 1, 2011 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, Meena L. Elliott, Senior Vice President, General Counsel and Secretary, and Carol Goudey, Treasurer and Assistant Secretary.

How do I revoke my proxy?

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

- delivering a written notice of revocation to the Company's Secretary, Meena 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 Ernst & Young LLC as our independent registered public accounting firm), No. 3 (advisory vote on executive compensation) and No. 5 (increase in number of shares authorized for issuance under our Amended and Restated 2007 Stock Equity Plan): 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, No. 3 and No. 5. **The Board recommends a vote "FOR" each of the Proposals No. 2, No. 3 and No. 5.**
- Proposal No. 4 (advisory vote on frequency of future advisory votes on executive compensation): The frequency with which the Company asks stockholders for an advisory vote on executive compensation that receives the most votes will be considered the advisory preference of the stockholders. **The Board recommends a vote for "EVERY YEAR" for the frequency of advisory votes on executive compensation under Proposal No. 4.**

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 Ernst & Young LLP as the Company's independent registered public accounting firm), but not on non-routine matters, such as Proposals No. 1 (election of directors), No. 3 (advisory vote on executive compensation), No. 4 (advisory vote on frequency of future advisory votes on executive compensation) and No. 5 (increase in number of shares authorized for issuance under our Amended and Restated 2007 Stock Equity Plan). Broker "non-votes" and abstentions have no effect on the votes regarding proposals No. 1 and No. 4. 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. Proposal No. 4 is an advisory vote on stockholder preference, with the selection receiving the most votes considered to represent such advisory preference. In the case of Proposals No. 2, No. 3 and No. 5, 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 $18,500, 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 2012 Annual Meeting?

In order for any stockholder nominations or proposals to be considered properly brought before our 2012 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 2012 annual meeting under SEC Rule 14a-8, written notice thereof must be received by our Secretary at the address noted above by June 5, 2012.

The proxies to be solicited by the Board for the 2012 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 filing with the SEC 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 nine. 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. Mr. Evans, a current director, has informed us of his decision not to stand for re-election upon the expiration of his current term as a member of the Board of Directors for personal reasons. Accordingly, the Board of Directors, pursuant to the Company's Bylaws, has authorized a reduction in the number of directors that shall constitute the whole Board of Directors from nine (9) to eight (8), with such reduction effective upon the conclusion of the Corporation's 2011 annual meeting of stockholders.

Name	Title and Positions
Charles D. Kissner	Director, Chairman of the Board
Eric C. Evans	Director
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 material relationship with the Company and is independent in accordance with listing rules of the NASDAQ stock market (the "NASDAQ Listing Rules").

All directors are requested to attend the annual meeting of stockholders. Except for Mr. Pangia, who was not then a director, all of our current directors attended last year's annual meeting.

Board and Committee Meetings and Attendance

During fiscal year 2011, the Board held 8 meetings. Each of the board members attended at least 88% percent of the total number of Board meetings and at least 94% 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 the past five years:

Mr. Charles D. Kissner, age 64, currently serves as our Chairman of the Board and a part-time employee with advisory responsibilities. 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, a position which he held through 2006. Mr. Kissner also served as Vice President and General Manager of M/A-COM, Inc., a manufacturer of radio and microwave communications products, from July 1993 to July 1995. Prior to that, he was President and CEO of Aristacom International Inc., a communications software company, and Executive Vice President and a Director of Fujitsu Network Switching, Inc. He also held a number of executive positions at AT&T (now Alcatel-Lucent). Mr. Kissner currently serves on the board of directors of Shoretel, Inc., an IP business telephony systems company. He served on the board of directors of SonicWALL, Inc., a provider of Internet security solutions, and Meru Networks Inc., a provider of advanced enterprise wireless networking systems. Mr. Kissner also serves on the Advisory Board of Santa Clara University's Leavey School of Business, and on the board of Northern California Public Broadcasting, a non-profit organization.

Mr. Kissner brings extensive knowledge of our company's business, having served on our Board as non-executive Chairman for over three years. He also brings nearly fifteen years of relevant chief executive officer experience having served in that capacity at technology driven companies 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 69, served as a member of the Stratex board of directors from August 2001 through January 2007, and was Chairman of the Nominating and Corporate Governance Committee and a member of the Audit Committee. Mr. Hasler served as Chairman of the Board of Directors of Solectron Corporation from 2003 to 2007 and was a member of that board from 1998 to 2007. He was co-Chief Executive Officer and a Director of Aphton Corp., a biopharmaceutical company, from 1998 to 2003. From 1991 to 1998, Mr. Hasler was Dean of both the Graduate and Undergraduate Schools of Business at the University of California, Berkeley. Prior to his deanship at UC Berkeley, Mr. Hasler was Vice Chairman of KPMG Peat Marwick. Mr. Hasler also serves on the boards of Ditech Networks Corp., a supplier of telecommunications equipment, Globalstar, Inc., a supplier of satellite communication services, and Mission West Properties Inc., a REIT engaged in the management, leasing, marketing, development and acquisition of commercial R&D properties. He is also a trustee of the Schwab Funds.

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

Mr. Clifford H. Higgerson, age 71, served as a member of the Stratex board of directors from March 2006 to January 2007 and served on the Compensation and Strategic Business Development Committees. He has more than 40 years experience in research, consulting, planning and venture investing primarily in the telecommunications industry, with an emphasis on carrier systems and equipment. In 2006, he became a partner with Walden International, a global venture capital firm focused on four key industry sectors: communications, electronics/digital consumer, software and IT services, and semiconductors. Mr. Higgerson was a founding partner of ComVentures from 1986 to 2005, and has been a general partner with Vanguard Venture Partners since 1991. He currently serves as a member of the board of directors of Kotura Inc., Xtera Communications Inc., Ygnition Networks, Inc., Ormet Circuits, Inc., and Geronimo Windpower. 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 50, 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 competing in the global arena. 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 62, has served as a member of the Board of Directors since November 2010. He is a strategic advisor specializing in global marketing and business strategy and venture capital and market development for high-technology, early revenue companies. Mr. Rau currently serves as 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 until May 2007. Mr. Rau served as Corporate Vice President of Global Marketing and Strategy for Motorola from 2005 until 2006 and as Corporate Vice President, Marketing and Professional Services, from 2001 until 2005. From October 1992 until 2001, Mr. Rau served in various positions within Motorola, including as Vice President of Strategic Business Planning and Vice President of Sales and Operations and held positions in Asia and Europe. Mr. Rau is a former Chairman of the QuEST Forum, a collaboration of service providers and suppliers dedicated to telecom supply chain quality and performance, and was a Director of the Center for Telecom Management at the University of Southern California. Mr. Rau also served on the Motorola Partnership Board of France Telecom.

Mr. Rau'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 52, currently serves as a managing partner of Freudenberg & Co., 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. 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 65, currently serves as our lead independent director. Presently, Dr. Stoffel is on the Board of Directors of Harris Corporation, of which he has been a member since August 2003, and is also a member of its Finance Committee and the Management Development and Compensation Committee. Additionally, he serves as General Partner of Trillium Group, LLC, a private equity company, and is a senior advisor to other private equity companies. Prior to his retirement, Dr. Stoffel was Senior Vice President, Chief Technical Officer and Director of Research and Development of Eastman Kodak Company. He held this position from 2000 to April 2005. He joined Kodak in 1997 as Vice President and Director, Electronic Imaging Products Research and Development, and became Director of Research and Engineering in 1998. Prior to joining Kodak, he was with Xerox Corporation, where he began his career in 1972. His most recent position with Xerox was Vice President, Corporate Research and Technology. Dr. Stoffel is also a trustee of the George Eastman House museum. He serves on the Advisory Board for Research and Graduate Studies at the University of Notre Dame and is a member of the advisory board of the Applied Science and Technology Research Institute, Hong Kong.

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

Mr. Edward F. Thompson, age 73, served as a member of the Stratex board of directors from November 2002 through January 2007, where he was Chairman of the Audit Committee, and served on the Nominating and Corporate Governance Committee. Mr. Thompson has been a consultant to Fujitsu Labs of America since 1995. 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

Proxy Statement

Amdahl Capital Corporation. Mr. Thompson also held positions at U.S. Leasing International, Inc., Computer Sciences Corporation, International Business Machines and Lockheed Missiles and Space Company. Mr. Thompson has contributed as a director or advisor to a number of companies including Fujitsu, Ltd. and several of its subsidiaries, and SonicWALL Inc., a provider of Internet security solutions. He is currently a member of the board of directors of Shoretel, Inc., an IP business telephony systems company, and InnoPath Software, Inc. He is on the Advisory Board of Santa Clara University's Leavey School of Business.

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

Agreement with Certain Entities and Individuals Associated with Ramius LLC

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

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

The Ramius Group agreed to support the Company's Board nominations at the 2010 annual meeting. Additionally, the Ramius Group agreed to certain limited standstill restrictions which expired on September 5, 2011.

After review by the Company's Governance and Nominating Committee, the Board nominated Mr. Rau, who was previously recommended by the Ramius Group, for election as a director at our 2010 annual meeting of stockholders and at such meeting, Mr. Rau was elected as a director.

Board Leadership

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

- Advise the Chairman of the Board as to an appropriate schedule of board meetings, seeking to ensure that independent directors can perform their duties while not interfering with the flow of company operations;
- Provide the Chairman of the Board with input as to the preparation of the agendas for board and committee meetings;
- Advise the Chairman of the Board as to the quality, quantity and timeliness of the flow of information from management that is necessary for the independent directors to effectively and responsibly perform

their duties; although management is responsible for the preparation of materials for the board, the lead independent director may specifically request the inclusion of certain material;

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

The Board believes that appointing a lead independent director to serve along with a combined Chief Executive Officer and Chairman of the Board has enhanced the Board's oversight of, and independence from, Company management, the ability of the Board to carry out its roles and responsibilities on behalf of our stockholders and our overall corporate governance. Although Mr. Kissner is no longer Chief Executive Officer, he continues as an employee, on a part-time basis, with advisory responsibilities. On 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 2011, 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 2011	Members	Principal Functions
Audit	16	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	8	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	4	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

Audit Committee

The Audit Committee is primarily responsible for selecting, and approving the services performed by, our independent registered public accounting firm, as well as reviewing our accounting practices, corporate financial reporting and system of internal controls over financial reporting. The Audit Committee currently consists of Messrs. Thompson (Chairman), Evans, Hasler and Rau. No material amendments to the Audit Committee Charter were made during fiscal year 2011. 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 2011, 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.

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 2011, we believe there were no transactions, or series of similar transactions, to which we were or are to be a party in which the amount exceeded $120,000, and in which any of our directors or executive officers, any holders of more than 5% of our common stock or any members of any such person's immediate family, had or will have a direct or indirect material interest, other than compensation described in the sections titled "Director Compensation and Benefits" and "Executive Compensation".

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

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

DIRECTOR COMPENSATION AND BENEFITS

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

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

- $60,000 basic annual cash retainer, payable on a quarterly basis, which a director may elect to receive in the form of shares of common stock;
- $10,000 annual cash retainer, payable on a quarterly basis, for service as Chairman of the Board;
- $10,000 annual cash retainer, payable on a quarterly basis, for service as Chairman of the Audit Committee;
- $5,000 annual cash retainer, payable on a quarterly basis, for service as Chairman of the 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 price on the last trading day preceding 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 price on the date of grant and with 100 percent vesting in one year, subject to continuing service as a director;
- Annual grant of shares of common stock, for service as Chairman of the Board, valued (based on market price on the date of grant) at $40,000, with a one-year vesting period with 25 percent of the grant vesting per quarter; and
- $18,000 annual cash retainer, payable on a quarterly basis, for service as the lead independent director of our Board.

Mr. Kissner's agreement for part-time employment provides that, in his capacity as a director, he will receive grants of restricted stock and options on the same terms as non-employee directors. So long as his compensation as a part-time employee continues, Mr. Kissner will not receive cash retainers as a director or as a Chairman.

In addition to the foregoing, non-employee directors are entitled to receive a 50% higher level of compensation during such director's first year of membership on the Board of Directors. As such, Mr. Rau, a non-employee director currently in the first year of his membership on the Board of Directors, is entitled to receive during calendar year 2011 a $90,000 basic annual cash retainer, an annual grant of restricted shares of common stock valued (based on market prices on the date of grant) at $45,000, with 100 percent vesting in one year, subject to continuing service as a director and an annual grant of options to purchase common stock valued (based on U.S. GAAP value of the options on the date of grant) at $45,000, 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.

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

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

Fiscal 2011 Compensation of Non-Employee Directors

Our non-employee directors received the following aggregate amounts of compensation in respect of the fiscal year ended July 1, 2011.

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	60,000	30,588	30,465	—	—	—	121,053
William A. Hasler	65,000	30,588	30,465	—	—	—	126,053
Clifford H. Higgerson	60,000	30,588	30,465	—	—	—	121,053
Raghavendra Rau	45,000	45,884	45,700	—	—	—	136,584
Dr. Mohsen Sohi	60,000	30,588	30,465	—	—	—	121,053
Dr. James C. Stoffel	87,000	30,588	30,465	—	—	—	148,053
Edward F. Thompson	70,000	30,588	30,465	—	—	—	131,053

(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 2011 Consolidated Financial Statements in Part II, Item 8 of our Annual Report on Form 10-K filed with the SEC on September 12, 2011.

As of July 1, 2011, our non-employee directors held the following numbers of unvested restricted shares of common stock and stock options granted under the 2007 Stock Equity Plan, as Amended and Restated Effective November 19, 2009:

Name	Unvested Stock Awards	Unvested Option Awards
Eric C. Evans	5,905	11,764
William A. Hasler	5,905	11,764
Clifford H. Higgerson	5,905	11,764
Raghavendra Rau	8,858	17,647
Dr. Mohsen Sohi	5,905	11,764
Dr. James C. Stoffel	5,905	11,764
Edward F. Thompson	5,905	11,764

Indemnification

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

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

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

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

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of our common stock as of September 22, 2011 by each person or entity known by us to beneficially own more than 5 percent of our common stock, by our directors, by our named executive officers and by all our directors and executive officers as a group. Except as indicated in the footnotes to this table, and subject to applicable community property laws, the persons listed in the table below have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them. Unless otherwise indicated, the address of each of the beneficial owners identified is c/o Aviat Networks, Inc., 5200 Great America Parkway, Santa Clara, CA 95054. As of September 22, 2011, there were 60,524,922 shares of our common stock outstanding.

	Shares Beneficially Owned as of September 22, 2011(1)	
	Number of Shares of Common Stock(2)	Percentage of Voting Power of Common Stock
Name and Address of Beneficial Owner		
Dimensional Fund Advisors LP 6300 Bee Cave Road Building One Austin, Texas 78746	3,398,595(3)	5.56%
BlackRock, Inc. 40 East 52nd Street New York, New York 10022	3,303,900(4)	5.41%
NAMED EXECUTIVE OFFICERS AND DIRECTORS		
Thomas L. Cronan III	134,100(5)	*
Eric C. Evans	45,216(6)	*
William A. Hasler	52,434(6)	*
Clifford H. Higgerson	176,041(7)	*
Paul A. Kennard	292,808(8)	*
Charles D. Kissner	407,746(9)	*
Michael Pangia	486,398(10)	*
Raghavendra Rau	8,858	*
Dr. Mohsen Sohi	43,895(6)	*
Dr. James C. Stoffel	43,746(6)	*
Heinz H. Stumpe	240,707(11)	*
Edward F. Thompson	46,246(6)	*
All directors and executive officers as a group (15 persons)	2,414,563(12)	3.95%

* Less than one percent

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

(2) Shares of common stock that a person has the right to acquire within 60 days are deemed to be outstanding and beneficially owned by that person for the purpose of computing the total number of shares beneficially owned by that person and the percentage ownership of that person, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person or group. Accordingly, the amounts in the table include shares of common stock that such person has the right to acquire within 60 days of September 22, 2011 by the exercise of stock options.

(3) Based upon a Form 13F filing by Dimensional Fund Advisors LP with the Securities and Exchange Commission on August 5, 2011.

(4) Based upon Form 13F filings by BlackRock, Inc. and its affiliates with the Securities and Exchange Commission on July 12, 2011, reporting ownership of 1,921,375 shares by BlackRock Investment Trust Company, N.A., and 1,382,525 shares by BlackRock Fund Advisors.

(5) Includes options to purchase 129,188 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 22, 2011.

(6) Includes options to purchase 8,720 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 22, 2011.

(7) Includes options to purchase 8,720 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 22, 2011. 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.

(8) Includes options to purchase 162,842 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 22, 2011.

(9) Includes options to purchase 101,470 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 22, 2011. 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.

(10) Includes options to purchase 122,228 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 22, 2011.

(11) Includes options to purchase 118,701 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 22, 2011.

(12) Includes options to purchase 851,243 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 22, 2011.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

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

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

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

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

In accordance with its responsibilities, the Audit Committee has reviewed and discussed with management the audited financial statements for the year ended July 1, 2011 and the process designed to achieve compliance with Section 404 of the Sarbanes-Oxley Act of 2002. The Audit Committee has also discussed with our independent registered public accounting firm, Ernst & Young LLP, the matters required to be discussed by SAS No. 114, Communication with Audit Committees, as adopted by the Public Company Accounting Oversight Board or PCAOB, in Rule 3200T. The Audit Committee has received the written disclosures and letter from Ernst & Young LLP required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as adopted by the PCAOB in Rule 3600T, and has discussed with Ernst & Young LLP its independence, including whether Ernst & Young LLP's provision of non-audit services is compatible with its independence.

Based on these reviews and discussions, the Audit Committee recommended to the Board that the Company's audited financial statements for the year ended July 1, 2011 be included in Company's Annual Report on Form 10-K.

Audit Committee of the Board of Directors

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

INDEPENDENT AUDITOR'S FEES

Ernst & Young LLP has been approved by our Audit Committee to act as our independent registered public accounting firm for the fiscal year ending June 29, 2012. Representatives of Ernst & Young LLP will be present at the 2011 Annual Meeting of Stockholders, will have the opportunity to make a statement should they so desire, and will be available to respond to appropriate questions.

Audit and other fees billed to us by Ernst & Young LLP for the fiscal years ended July 1, 2011 and July 2, 2010 are as follows:

	2011	2010
Audit Fees(1)	$3,370,293	$2,828,255
Audit-Related Fees(2)	—	47,112
Tax Fees(3)	92,716	114,943
All Other Fees(4)	—	—
Total Fees for Services Provided	$3,463,009	$2,990,310

(1) Audit Fees include fees associated with the annual audit, as well as reviews of our quarterly reports on Form 10-Q, SEC registration statements, accounting and reporting consultations and statutory audits required internationally for our subsidiaries.
(2) Audit-related fees include fees for completion of certain statutory registration requirements.
(3) Tax Fees were for services related to tax compliance and tax planning services.
(4) No professional services were rendered or fees billed for other services not included within Audit Fees, Audit-Related Fees, or Tax Fees in fiscal 2011 or fiscal 2010.

Ernst & Young LLP did not perform any professional services related to financial information systems design and implementation for us in fiscal 2011 or fiscal 2010.

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.
- the general goal of our executive compensation program is to set compensation at the 50^{th} percentile of compensation at peer group companies.
- 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

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

reward superior performance;

motivate our executives to achieve strategic, operational, and financial goals; and

enable us to attract and retain a world-class management team.

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

Executive Compensation Process

The Compensation Committee has oversight responsibility for the establishment and implementation of compensation policies and programs for our executive officers in a manner consistent with our compensation objectives and principles. The Compensation Committee, which is comprised solely of independent directors, reviews and approves the features and design of our executive compensation program, and approves the compensation levels, individual objectives and financial targets for our executive officers other than our CEO. The Board of Directors approves the compensation level, individual objectives, and financial targets for our CEO. The Compensation Committee also monitors executive succession planning and monitors our performance as it relates to overall compensation policies for employees, including benefit and 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, the Compensation Committee determines what changes, if any, should be made to the executive compensation program and either sets or recommends to the full Board the level of each compensation element for all of our officers.

Independent Compensation Consultant for Compensation Committee

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

Competitive Benchmarking

Our compensation program for all of our officers is addressed in the context of competitive compensation practices. Our management and Compensation Committee consider external data to assist in benchmarking total target compensation. For fiscal 2011, targets for total cash compensation (base salary and short-term incentive), long-term incentives and total direct compensation (base salary and short-term and long-term incentives) for all officers were set based on a benchmark group of companies using the combined data from the 2009 CHIPS Executive and Senior Management Total Compensation Survey published by Radford, an Aon Consulting Company (the “Radford Survey”) for technology companies with revenues between approximately half and approximately twice our revenue and available proxy statements. We refer to the data compiled from these sources as “market composite data”. The Board used this market composite data in determining compensation for our former CEO, Mr. Charles D. Kissner. This composite data also assisted the Compensation Committee in its review and approval of the compensation of our current CEO, Michael Pangia, in connection with his appointment shortly after the end of our fiscal year 2011. The companies selected for benchmarking possessed the following attributes: business operations in the industries and businesses in which we participate, with revenues between approximately half and approximately twice our revenue, which compete for the same executive talent.

For fiscal 2011, the comparison group used for assessing the compensation of our CEO and our named executive officers included the following companies:

ADTRAN Inc.	ADC Telecommunications, Inc.
Avocent Corp.	Black Box Corp.
Brocade Communications Systems Inc.	Ciena Group
Comtech Telecommunications Corp.	EMS Technologies, Inc.
F5 Networks, Inc.	Finisar Corp
Harmonic Inc.	Hughes Communications Inc.
Loral Space & Communications Ltd.	Opnext Inc.
NETGEAR, Inc.	Orbital Sciences Corp.
Polycom, Inc.	Plantronics Inc.
Sonus Networks, Inc.	Powerwave Technologies Inc.
Tekelec	Riverbed Technology, Inc.

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

Total Compensation Elements

Our executive compensation program includes four major elements:

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

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

Our compensation policy and practice is to target total compensation levels for all officers, including our named executive officers, nominally at the 50th percentile for similar positions as derived from the 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 2011, that ratio was 2.9:1, compared to a median ratio of 2.8:1 in the peer group companies. If Mr. Pangia, our current CEO, had been the CEO in fiscal 2011 at his current compensation level, the ratio would have been 2.3:1.

In designing a compensation package for Mr. Kissner at the end of fiscal 2010, our Board took into account the special circumstances under which the CEO position was offered to Mr. Kissner. Our Board determined that Mr. Kissner was uniquely qualified for this immediate assumption of responsibility because of his existing familiarity with the Company's business as the non-executive Chairman of the Board and as the former CEO of one the Company's predecessors, Stratex Networks, Inc., where his responsibilities had included a previous, successful turn-around. Accordingly, our Board designed and offered Mr. Kissner a compensation package it believed would induce him to return from retirement on short notice. The compensation package was substantially similar to that of his predecessor, Mr. Braun.

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 2011, our CEO made recommendations to the Compensation Committee in August 2010 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 2012 as compared to fiscal year 2011 was the same. The base salaries for fiscal 2011 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 cash-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, the Compensation Committee sets 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 peer group companies for his or her specific role. The Compensation Committee recommends to the Board the target for our CEO at the same time. The Compensation Committee also establishes specific Company financial performance measures and targets including the relative weighting and payout thresholds. The financial targets are aligned with our Board-approved annual operating plan, and during the year periodic reports are made to the Board about our performance compared with the targets. Under the AIP, a significant portion of the executive's annual compensation is tied directly to our financial performance. Under the AIP our Board has the discretion to adjust the formula-based awards with respect to the awards to our CEO. Our CEO is authorized to adjust individual formula-based cash awards to recognize the unique contributions of each other executive officer. The target amount of annual incentive 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 50%—100% of the base cash compensation for our named executive officers. 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.

For fiscal year 2011, the AIP provided for all-cash incentives, and contained minimum thresholds and payout ratios for performance measures consisting of revenue, operating income and individual performance. Revenue had an assigned weight of 40%, operating income 40% and individual performance 20%. The target amounts were established in August 2010. The operating income performance measure included a condition that the Company achieves a positive operating cash flow per the statement of cash flows in its annual audited financial statements. Performance relative to each measure was evaluated independently (see Table 1, below), and the plan provided for zero payout unless Company performance met at least one target threshold percentage. The revenue target for fiscal year 2011, $472 million, was computed in accordance with generally accepted accounting principles, or GAAP. The operating income target for fiscal year 2011, $1.85 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 acquisitions. Applying non-GAAP adjustments to the operating income focuses this part of the AIP incentive on more controllable aspects of the income statement.

Table 1

Annual Incentive Plan		Results-Driven Entitlement	
Metric	Tiers	Performance (As % of Financial Target) (%)	Payout* (As % of Award Target) (%)
Revenue (40%)	Minimum Threshold	50	50
	Target	100	100
	Maximum Threshold	100	100
Operating Income** (40%)	Minimum Threshold	50	50
	Target	100	100
	Maximum Threshold	100	100
Individual Performance (20%)***	Minimum Threshold	100	100
	Target	100	100
	Maximum Threshold	100	100

* Subject to minimum cash gate: Positive operating cash flow per the statement of cash flows in annual audited financial statements.

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

*** 50% achievement of Revenue or Operating Income required for payout with a potential 50%—100% based on the achievement of greater than 50% for both Revenue and Operating Income.

The fiscal year 2011 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 2011 fiscal year AIP, we did not achieve the minimum threshold for AIP awards and no AIP amount was presented to the Compensation Committee for approval. Consequently, no officer received an AIP payout.

Short-term incentive pay will continue to be a component of our total executive compensation program. For fiscal year 2012, the Compensation Committee recommended to the Board and the Board approved, that the metrics for the AIP would be 50% based on revenue and 50% based on non-GAAP operating income. Payout to named executive officers at 50% will be represented by performance vesting restricted stock and greater than a 50% achievement will result in a cash payout for that portion. No annual incentive can be earned for performance below the minimum threshold. Payouts (as a percentage of the award target) are capped at 100%.

Long-Term Compensation—Equity Incentives

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

Our LTIP is designed to motivate our executives to focus on achievement of our long-term financial goals. Performance share grants motivate our executives to achieve our long-term goals and to the extent our results affect our stock price, link such results with the performance of our stock over a three-year period. Using equity awards helps us to retain executives, encourage share ownership and maintain a direct link between our executive compensation program and the value and appreciation in the value of our stock. For fiscal year 2011, the Compensation Committee has authorized Long Term Incentive Plan awards that will provide incentives for performance through fiscal year 2013.

The LTIP awards made in fiscal 2011, were composed of 33⅓% stock options, 33⅓% service-based restricted stock and 33⅓% performance-based restricted stock awards. (In all cases, the proportions are measured by the estimated GAAP expense associated with the awards.) The stock options vest over a three-year period with 50% vesting on the first anniversary of grant and 25% on each of the following two anniversaries. The performance shares vest at the end of fiscal year 2013 if the executive remains an employee and the Company threshold performance criterion has been achieved. The service-based restricted stock vests 33 ⅓% on each of the three following anniversaries of the award. The Committee believes that each type of equity component addresses different compensation objectives. Stock options provide a leverage opportunity and alignment with shareholder interests. Performance-based restricted stock awards encourage a stronger operational focus. Service-based restricted stock encourages retention of key executives.

Performance Shares. In general, the Compensation Committee determines the applicable multi-year performance criteria and plan cycle for performance share awards with a view to allowing the shares to be earned, if the performance criteria are met, at the end of each 3-year plan cycle. Under the fiscal year 2011-2013 long-term equity incentive awards, performance shares are earned if 50% of target cash flow from operations is achieved. Cash flow from operations is calculated by applying GAAP principles, adjusted for certain Compensation Committee approved exclusions such as charges incurred for restructurings, impairments, and acquisitions. 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 compensation planning purposes, awards of performance-based restricted stock are valued at the fair market value of the shares on the date of award, which is the closing price on the NASDAQ Global Market on that date, without reduction to reflect vesting or other conditions.

Table 2, below, outlines the metrics of the performance shares awarded in fiscal year 2011.

Table 2

Performance Share Plan		Results-Driven Entitlement	
		Performance (As % of Financial Target)	Entitlement (As % of Entitlement at Target)
Metric (July 3, 2010- June 28, 2013)	Tiers	(%)	(%)
Cash Flow from Operations*	Threshold	75	80
	Target	100	100
	Maximum	120	150

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

Stock Options. 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 three years, and to assist hiring new executives by replacing the value of stock options that may have been forfeited as a result of leaving a former employer. Generally, options are granted with an exercise price equal to the fair market value of the common stock on the grant date, which is the closing price on the NASDAQ Global Market on that date. Typically, the Compensation Committee awards stock options that vest and become exercisable solely on the basis of continued employment, or other service, usually over three years, with 50 percent vesting on the first anniversary of the date of the grant and an additional 25 percent vesting on the second and third anniversaries of the date of the grant. Duration of stock options (subject to the terms of the

Plan) is 7 years from grant date. For compensation planning purposes, awards of stock options are valued using the Black-Scholes valuation method, without reduction to reflect vesting or other conditions. In fiscal 2011, the Black-Scholes valuations were approximately 50% of the grant-date value of the shares subject to the option.

Service-Based Restricted Stock. Service-based restricted stock awards are awards of stock at the start of a vesting period which is subject to repurchase for nominal consideration if the specified vesting conditions are not satisfied. In addition to their use as a component of the LTIP, awards of service-based restricted stock may be made on a selective basis to individual executives primarily to facilitate retention and succession planning or to replace the value of equity awards that may have been forfeited as a result of the executive's leaving a former employer. For compensation planning purposes, awards of service-based restricted stock are valued at the fair market value of the shares on the date of award, which is the closing price on the NASDAQ Global Market on that date, without reduction to reflect vesting or other conditions. Typically, as in the case of the LTIP awards made in fiscal 2011, the Compensation Committee awards restricted stock that vest and become exercisable solely on the basis of continued employment, or other service, usually over three years, with 33⅓% vesting on the first anniversary of the date of the grant and an additional 33⅓% vesting on the second and third anniversaries of the date of the grant. Unvested shares are subject to repurchase by the Company at $0.01 per share if employment ends before the third anniversary of the grant date. There were no significant changes in the LTIP compensation for any individual in fiscal year 2011 as compared to fiscal year 2010.

The LTIP continues to be an important element of our executive compensation program. For fiscal 2012, the Compensation Committee recommended, and the Board authorized, long-term incentive awards structured 50% (by GAAP value on the date of award) as stock options vesting 50% on the first anniversary of grant, 25% on the second anniversary and 25% on the third anniversary, and 50% (by GAAP value on the date of award) as service-based restricted stock vesting 33-⅓% on each of the first, second and third anniversaries of 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 2011, 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 $22,000 for employees age 50 and over during each calendar year, as allowed by the IRS. We do not provide defined benefit pension plans or defined contribution retirement plans to the named executive officers or other employees other than the 401(k) Plan, or as required in certain countries other than the United States, for legal or competitive reasons.

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

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

Post-Termination Compensation

Employment agreements have been established with each of our named executive officers. These agreements provide for certain payments and benefits to the employee if his or her employment with us is terminated. These arrangements are discussed in more detail on page 35. We have determined that such payments and benefits are an integral part of a competitive compensation package for our named executive officers. For additional information regarding our employment agreements with our named executive officers, see the discussion under "Potential Payments Upon Termination or Change of Control."

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis included in this Proxy Statement. Based on this review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended July 1, 2011.

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: namely, revenue, operating income and cash flow. We believe this mix of performance measures mitigates any incentive to seek to maximize performance under one measure to the detriment of performance under another measure. For example, if our management were to seek to increase sales by pursuing strategies that would negatively impact our profitability, any increase in the portion of annual 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 and maximum vesting for long-term performance shares is capped at 150% of target performance. 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 July 1, 2011, July 2, 2010 and July 3, 2009 of our named executive officers, who consisted of our Chief Executive Officer, Chief Financial Officer and the next three other most highly compensated executive officers.

Name/Principal Position	Fiscal Year (1)	Salary (2) ($)	Bonus ($)	Stock Awards (3) ($)	Option Awards (4) ($)	Non-Equity Incentive Plan Compensation (5) ($)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings(6) ($)	All Other Compensation (7) ($)	Total ($)
Charles D. Kissner, ...	2011	695,000	—	466,602	455,324	—	—	270,268	1,887,194
Chief Executive Officer and	2010	13,365	—	69,998	28,427	—	—	479,839	591,629
Chairman of the Board(2)(7)	2009	—	—	59,997	—	—	—	506,410	566,407
Thomas L. Cronan III	2011	329,515	—	130,800	132,306	—	—	5,789	598,410
Senior Vice President and	2010	300,000	—	286,668	142,644	—	—	1,104	730,416
Chief Financial Officer(7)	2009	46,154	—	215,000	188,906	6,875	—	50,212	507,147
Michael Pangia, ...	2011	420,000	—	109,000	110,255	—	—	1,324	640,579
Senior Vice President and	2010	420,000	—	293,328	145,959	—	—	1,046	860,333
Chief Sales Officer(7)									
Paul A. Kennard, ...	2011	324,804	—	119,900	121,281	—	—	16,514	582,499
Senior Vice President and	2010	324,804	—	219,996	109,469	—	—	15,135	669,404
Chief Technology Officer	2009	378,447	—	155,996	135,472	54,194	—	112,771	836,880
Heinz H. Stumpe, ...	2011	325,000	—	119,900	121,281	—	—	8,260	574,441
Senior Vice President and	2010	325,000	—	89,566	90,000	—	—	26,260	530,826
Chief Operating Officer	2009	321,923	—	115,872	100,627	46,179	—	25,831	610,432

(1) Our 2011 fiscal year ended July 1, 2011, our 2010 fiscal year ended July 2, 2010 and our 2009 fiscal year ended July 3, 2009. The amounts in this table represent total compensation paid or earned for our fiscal year as included in our annual financial statements.

(2) 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 amount in the Summary Compensation table for the fiscal year ended July 3, 2009 of $46,154 reflects Mr. Cronan's salary for the period May 4, 2009 through July 3, 2009.

(3) The "Stock Awards" column shows the full grant date fair value of the performance shares (at target) and restricted stock granted in fiscal 2010 and 2009. 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 estimated that the fiscal 2011 performance shares will 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. Kissner	$466,602
Mr. Cronan	$130,800
Mr. Pangia	$109,000
Mr. Kennard	$119,900
Mr. Stumpe	$119,900

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 July 1, 2011. 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 2010 and 2009 were made to him as a non-employee member of our Board of Directors prior to his appointment as Chairman and CEO.

(4) The "Option Awards" column shows the full grant date fair value of the stock options granted in fiscal 2011, 2010, and 2009. 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 July 1, 2011. 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.

(5) For the fiscal years ended July 1, 2011 and July 2, 2010, no amounts were paid to named executive officers in respect of 2011 and 2010 performance under the fiscal years' 2011 and 2010 AIP's. For the fiscal year ended July 3, 2009, represents amounts paid in fiscal 2010 in respect of 2009 performance under the fiscal year 2009 AIP as though 90% of revenue target had been achieved with actual achievement of 87% of revenue target.

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

(7) 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.

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

Name	Year	Life Insurance (a) ($)	Housing and Auto Allowance (b) ($)	Severance & Related Benefits (c) ($)	Other Patent Income (d) ($)	Other Bonus (e) ($)	Fees Earned as Board of Director (f) ($)	Company Matching Contributions Under 401(k) Plan(g) ($)	Tax Gross-Ups and Equalization (h) ($)	Total All Other Compensation ($)
Charles D. Kissner	2011	7,695	14,400	239,692	—	—	—	8,481	—	270,268
	2010	—	15,600	394,239	—	—	70,000	—	—	479,839
	2009	—	14,400	410,010	—	—	82,000	—	—	506,410
Thomas L. Cronan III	2011	1,212	—	—	—	—	—	4,577	—	5,789
	2010	1,104	—	—	—	—	—	—	—	1,104
	2009	212	—	—	—	50,000	—	—	—	50,212
Michael Pangia	2011	1,324	—	—	—	—	—	—	—	1,324
	2010	1,046	—	—	—	—	—	—	—	1,046
Paul A. Kennard	2011	2,864	—	—	1,015	—	—	12,635	—	16,514
	2010	2,260	—	—	—	—	—	12,875	—	15,135
	2009	3,858	6,900	—	—	10,000	—	7,136	84,877	112,771
Heinz H. Stumpe	2011	2,260	6,000	—	—	—	—	—	—	8,260
	2010	2,260	24,000	—	—	—	—	—	—	26,260
	2009	1,831	24,000	—	—	—	—	—	—	25,831

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

(b) Represents payments to Mr. Kissner under his former employment agreement with Stratex. Represents taxable amounts to Mr. Kennard and 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 a patent previously owned by him.

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

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

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

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

Grants of Plan-Based Awards in Fiscal 2011

The following table lists our grants and incentives during our fiscal year ended July 1, 2011 of plan-based awards, both equity and non-equity based and including our Annual Incentive Plan, to the named executive officers listed in the Summary Compensation Table. There is no assurance that the grant date fair value of stock and option awards will ever be realized.

		Estimated Possible Payouts Under Short-Term Non-Equity Incentive Plan Awards in Fiscal 2011(2)			Estimated Future Payments Under Long-Term Equity Incentive Plan Awards in Fiscal 2011(3)			All Other Stock Awards in Fiscal 2011			
Name	Grant Date (1)	Threshold ($)	Target ($)	Maximum ($)	Threshold ($)	Target ($)	Maximum ($)	Number of Shares of Stock or Units(4) ($)	Number of Securities Underlying Options ($)	Exercise or Base Price of Option Awards ($/Share)	Fair Value of Stock and Option Awards ($)
Charles D. Kissner	N/A	347,500	695,000	695,000	—	—	—	—	—	—	—
	11/11/2010	—	—	—	54,000	67,500	101,250	—	—	—	294,300
	11/11/2010	—	—	—	—	—	—	67,500	—	—	294,300
	11/11/2010	—	—	—	—	—	—	—	135,000	4.36	297,688
	2/10/2011	—	—	—	22,560	28,200	42,300	—	—	—	172,302
	2/10/2011	—	—	—	—	—	—	28,200	—	—	172,302
	2/10/2011	—	—	—	—	—	—	—	50,000	6.11	157,636
Thomas L. Cronan III	N/A	102,000	204,000	204,000	—	—	—	—	—	—	—
	11/11/2010	—	—	—	24,000	30,000	45,000	—	—	—	130,800
	11/11/2010	—	—	—	—	—	—	30,000	—	—	130,800
	11/11/2010	—	—	—	—	—	—	—	60,000	4.36	132,306
Michael Pangia	N/A	147,000	294,000	294,000	—	—	—	—	—	—	—
	11/11/2010	—	—	—	20,000	25,000	37,500	—	—	—	109,000
	11/11/2010	—	—	—	—	—	—	25,000	—	—	109,000
	11/11/2010	—	—	—	—	—	—	—	50,000	4.36	110,255
Paul A. Kennard	N/A	97,500	195,000	195,000	—	—	—	—	—	—	—
	11/11/2010	—	—	—	22,000	27,500	41,250	—	—	—	119,900
	11/11/2010	—	—	—	—	—	—	27,500	—	—	119,900
	11/11/2010	—	—	—	—	—	—	—	55,000	4.36	121,281
Heinz H. Stumpe	N/A	97,500	195,000	195,000	—	—	—	—	—	—	—
	11/11/2010	—	—	—	22,000	27,500	41,250	—	—	—	119,900
	11/11/2010	—	—	—	—	—	—	27,500	—	—	119,900
	11/11/2010	—	—	—	—	—	—	—	55,000	4.36	121,281

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

(2) The amounts shown under Estimated Possible Payouts Under Short Term Non-Equity Incentive Plan Awards reflect possible payouts under our fiscal 2011 Annual Incentive Plan. The actual amount earned by each named executive officer for fiscal 2011 pursuant to our 2011 Annual Incentive Plan is set forth in the Summary Compensation Table above under the column titled "Non-Equity Annual Incentive Plan Compensation."

(3) Performance share vesting may begin at 75 percent of the target level of cash flow from operations, as adjusted, and reaches maximum payout at financial performance at or above 120 percent of this target. The target (at which 100 percent vesting occurs) is $12 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.

(4) Restricted stock that vests in installments of 33 ⅓ percent one year from the grant date, 33 ⅓ percent two years from the grant date and 33 ⅓ percent three years from the grant date based on continuous employment through those dates.

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

(6) The "Grant Date Fair Value of Stock and Option Awards" column shows the full grant date fair value of the performance shares (at target), restricted stock and stock options granted in fiscal 2011. 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 of $4.36, the closing market price of our common stock on November 11, 2010 and $6.11, the closing market price of our common stock on February 10, 2011, 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 July 1, 2011. Subsequent to the grant of performance shares, we estimated the minimum threshold performance will not be achieved; accordingly, we have not recorded compensation expense for these performance shares in our fiscal 2011 financial statements. 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 2011

The following table provides information regarding outstanding unexercised stock options and unvested stock awards held by each of our named executive officers as of July 1, 2011. Each grant of options or unvested stock awards is shown separately for each named executive officer. The vesting schedule for each award of options is shown in the footnotes following this table based on the option grant date. The material terms of the option awards, other than exercise price and vesting are generally described in our 2007 Stock Equity Plan, as amended and restated effective November 19, 2009.

		Option Awards					Stock Awards			
Name	[Awards Listed in Chronological Order] Award Grant Date	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that have not Vested (#)	Market Value of Shares or Units of Stock that have not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares Units or Other Rights that have not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that have not Vested ($)
Charles D. Kissner	2/10/2011	—	50,500(2)	—	6.11	2/10/2018	—	—	—	—
	2/10/2011	—	—	—	—	—	28,200(4)	111,672(5)	—	—
	2/10/2011	—	—	—	—	—	—	—	28,200(6)	111,672(5)
	11/11/2010	—	135,000(2)	—	4.36	11/11/2017	—	—	—	—
	11/11/2010	—	—	—	—	—	67,500(4)	267,300(5)	—	—
	11/11/2010	—	—	—	—	—	—	—	67,500(6)	267,300(5)
	4/19/2010	8,720(1)	—	—	6.73	4/19/2017	—	—	—	—
	6/6/2006	3,750(3)	—	—	16.04	6/6/2013	—	—	—	—
	3/30/2004	107,500(3)	—	—	17.52	3/30/2011	—	—	—	—
	10/22/2001	75,000(3)	—	—	24.40	10/22/2011	—	—	—	—
Thomas L. Cronan III	11/11/2010	—	60,000(2)	—	4.36	11/11/2017	—	—	—	—
	11/11/2010	—	—	—	—	—	30,000(4)	118,800(5)	—	—
	11/11/2010	—	—	—	—	—	—	—	30,000(6)	118,800(5)
	11/12/2009	23,969(2)	23,969(2)	—	6.00	11/12/2016	—	—	—	—
	11/12/2009	—	—	—	—	—	15,926(4)	63,067(5)	—	—
	11/12/2009	—	—	—	—	—	—	—	23,889(7)	94,600(5)
	5/4/2009	63,235(2)	21,079(2)	—	4.59	5/4/2016	—	—	—	—
Michael Pangia	11/11/2010	—	50,000(2)	—	4.36	11/11/2017	—	—	—	—
	11/11/2010	—	—	—	—	—	25,000(4)	99,000(5)	—	—
	11/11/2010	—	—	—	—	—	—	—	25,000(6)	99,000(5)
	11/12/2009	24,526(2)	24,526(2)	—	6.00	11/12/2016	—	—	—	—
	11/12/2009	—	—	—	—	—	16,296(4)	64,532(5)	—	—
	11/12/2009	—	—	—	—	—	—	—	24,444(7)	96,798(5)
	3/30/2009	60,439(2)	20,147(2)	—	4.05	3/30/2016	—	—	—	—
Paul A. Kennard	11/11/2010	—	55,000(2)	—	4.36	11/11/2017	—	—	—	—
	11/11/2010	—	—	—	—	—	27,500(4)	108,900(5)	—	—
	11/11/2010	—	—	—	—	—	—	—	27,500(6)	108,900(5)
	11/12/2009	18,394(2)	18,395(2)	—	6.00	11/12/2016	—	—	—	—
	11/12/2009	—	—	—	—	—	12,222(4)	48,399(5)	—	—
	11/12/2009	—	—	—	—	—	—	—	18,333(7)	72,599(5)
	11/5/2008	37,688(2)	12,563(2)	—	5.97	11/5/2015	—	—	—	—
	2/28/2007	15,000(2)	—	—	20.40	2/28/2014	—	—	—	—
	6/6/2006	30,000(3)	—	—	16.04	6/6/2013	—	—	—	—
	6/30/2005	12,500(3)	—	—	6.88	6/30/2012	—	—	—	—
Heinz H. Stumpe	11/11/2010	—	55,000(2)	—	4.36	11/11/2017	—	—	—	—
	11/11/2010	—	—	—	—	—	27,500(4)	108,900(5)	—	—
	11/11/2010	—	—	—	—	—	—	—	27,500(6)	108,900(5)
	11/12/2009	15,050(2)	15,050(2)	—	6.00	11/12/2016	—	—	—	—
	11/12/2009	—	—	—	—	—	10,000(4)	39,600(5)	—	—
	11/12/2009	—	—	—	—	—	—	—	15,000(7)	59,400(5)
	11/5/2008	27,994(2)	9,332(2)	—	5.97	11/5/2015	—	—	—	—
	2/28/2007	11,300(2)	—	—	20.40	2/28/2014	—	—	—	—
	6/6/2006	20,000(3)	—	—	16.04	6/6/2013	—	—	—	—

(1) Stock options were awarded to Mr. Kissner as a non-employee member of our Board of Directors prior to his appointment as Chairman and CEO. Stock options vested 100 percent on January 26, 2011.
(2) Stock options vest in installments of 50 percent one year from the grant date, 25 percent two years from the grant date and 25 percent three years from the grant date.
(3) These options were granted by Stratex, were assumed by us in the merger with Stratex and are fully vested.
(4) Restricted stock that vests in installments of 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 $3.96 closing price of a share of our common stock on July 1, 2011, as reported on the NASDAQ Global Market.
(6) Performance share vesting may begin at 75 percent of the target level of cash flow from operations, as adjusted, and reaches maximum payout at financial performance at or above 120 percent of this target. The target (at which 100 percent vesting occurs) is $12 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.
(7) Performance share vesting may begin at 75 percent of the target level of cash flow from operations, as adjusted, and reaches maximum payout at financial performance at or above 120 percent of this target. The target (at which 100 percent vesting occurs) is $125.4 million of cash flow from operations, as adjusted, cumulatively for the three fiscal years in the period ending June 29, 2012. The shares may vest following the end of our 2012 fiscal year or June 29, 2012, based on continuous employment and achievement of performance results for the cumulative period from July 3, 2009 through the end of fiscal year 2012. Currently, performance shares have not vested for any officer.

Option Exercised and Stock Vested in Fiscal 2011

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 2011. No options to purchase common stock were exercised during fiscal 2011. Stock awards vesting during fiscal 2011 consisted solely of restricted stock with service-based vesting provisions. Performance shares from the fiscal 2009 Long-Term Incentive Plan vested on July 1, 2011 but no shares were acquired since the minimum threshold performance targets were not achieved.

	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)
Charles D. Kissner	—	—	6,152	29,867
Thomas L. Cronan III	—	—	7,963	34,878
Michael Pangia	—	—	8,148	35,688
Paul A. Kennard	—	—	6,111	26,766
Heinz H. Stumpe	—	—	5,000	21,900

(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. The amount shown for Mr. Kissner reflects awards made to him as a non-employee member of our Board of Directors prior to his appointment as Chairman and CEO. Performance shares from the fiscal 2009 Long-Term Incentive Plan vested on July 1, 2011 but no shares were acquired since the minimum threshold performance targets were not achieved.

Equity Compensation Plan Summary

The following table provides information as of July 1, 2011, 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)	3,366,929	$ 6.14	4,400,272
Equity Compensation plans not approved by security holders(4)	571,849	$16.44	—
Total	3,938,778	$ 7.70	4,400,272

(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 July 1, 2011, there were 1,663,538 such awards outstanding under that plan. The outstanding awards consisted of (i) performance share awards at target and restricted stock awards, for which all 1,509,671 shares were issued and outstanding; and (ii) 153,867 performance share unit awards at target and restricted stock unit awards, for which all 153,867 were payable in shares but for which no shares were yet issued and outstanding. The 3,366,929 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 3,213,062 outstanding options and in respect of the 153,867 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 19, 2009.

(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.

Potential Payments Upon Termination or Change of Control

Employment agreements have been established with each of the continuing named executive officers, which provide for such executives to receive certain payments and benefits if their employment with us is terminated. These arrangements are set forth in detail below assuming a termination event on July 1, 2011 based on our stock price on that date. The Board has determined that such payments and benefits are an integral part of a competitive compensation package for our executive officers.

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

Name	Conditions for Payouts	Number of Months (#)	Base per Month (1) ($)	Months Times Base ($)	Target Bonus(2) ($)	Total Severance Payments ($)	Accelerated Equity Vesting(3) ($)	Continuation of Insurance Benefit(4) ($)	Out-Placement Services(5) ($)	Total ($)
Charles D. Kissner	Termination without cause or for good reason or upon death or disability	From termination to June 28, 2012 or for 12 months after termination, whichever is longer	57,917	695,000	695,000	1,390,000	—	13,809	—	1,403,809
Thomas L. Cronan III	Termination without cause or for good reason, or due to disability	12	28,333	340,000	204,000	544,000	—	19,190	30,000	593,190
	Within 18 months after Change of Control	24	28,333	680,000	204,000	884,000	395,267	38,380	30,000	1,347,647
Michael Pangia(6)	Termination without cause or for good reason, or due to disability	12	35,000	420,000	294,000	714,000	—	19,190	30,000	763,190
	Within 18 months after Change of Control	24	35,000	840,000	294,000	1,134,000	359,330	38,380	30,000	1,561,710
Paul A. Kennard	Termination without cause or for good reason, or due to disability	12	27,067	324,804	195,000	519,804	—	7,444	30,000	557,248
	Within 18 months after Change of Control	24	27,067	649,608	195,000	844,608	338,798	14,888	30,000	1,228,294
Heinz H. Stumpe	Termination without cause or for good reason, or due to disability	12	27,083	325,000	195,000	520,000	—	7,527	30,000	557,527
	Within 18 months after Change of Control	24	27,083	650,000	195,000	845,000	316,800	15,054	30,000	1,206,854

(1) The monthly base salary represents the total gross monthly payments to each named executive officer at the current salary.
(2) The target bonus represents the maximum amount of a payout under the terms of the Annual Incentive Plan discussed in the Compensation Discussion and Analysis section of this Proxy Statement.
(3) Reflects acceleration of outstanding equity awards as of July 1, 2011. As of this date, no options had value since all option exercise prices were above the $3.96 per share market value as of July 1, 2011. The values in this column consist solely of the acceleration of unvested restricted and performance shares of common stock at $3.96 per share market value as of July 1, 2011.
(4) The insurance benefit provided is paid directly to the insurer benefit provider and includes amounts for COBRA.
(5) The estimated dollar amounts for Outplacement Services would be paid directly to an outplacement provider selected by us.
(6) Effective July 18, 2011, upon his appointment as President and Chief Executive Officer, Mr. Pangia's monthly base salary was increased to $45,833.33 and his target bonus was increased to $550,000. His current 12-month severance payments would accordingly total $1,100,000 and his current 24-month severance payments would total $1,650,000.

Our employment agreement with Mr. Charles D. Kissner, our President and Chief Executive Officer until July 18, 2011, included the following provisions:

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

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

The revised employment agreement entered into with Mr. Kissner effective July 18, 2011 in connection with his becoming a part-time employee while continuing as Chairman of the Board superseded the foregoing agreement and includes the following provisions:

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

- severance payments at his revised base salary of $29,166.66 per month for a period (the "New Severance Period") starting on the date of his termination and ending on July 18, 2012;
- payment of premiums necessary to continue his group health insurance under COBRA (or to purchase other comparable health coverage on an individual basis if he is no longer eligible for COBRA coverage) until the earlier of (i) the end of the New Severance Period; or (ii) the date on which he first becomes eligible to participate in another employer's group health insurance plan;
- any stock options or time-vested shares of restricted stock granted to him shall cease vesting upon his termination date, provided, however, he will be entitled to purchase any vested shares subject to those options until the earlier of 12 months following the termination date or the date on which the applicable option(s) expire(s).

In addition, Mr. Kissner's revised agreement provides that if there is a Change of Control, and his compensation ceases within the New Severance Period in connection therewith, 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 such compensation ceases.

The revised employment agreement with Mr. Kissner and the employment agreements with our other named executive officers define a "Change of Control" as follows:

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

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

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

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

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

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and persons who own more than 10 percent of a registered Class of the Company's equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Directors, executive officers and greater than 10 percent holders are required by SEC regulation to furnish us with copies of all Section 16(a) reports they file. Based solely on our review of Forms 3 and 4 received during fiscal 2011, and Forms 5 (or any written representations) received with respect to fiscal year 2011, we believe that all directors, officers, executive officers and 10 percent stockholders complied with all applicable Section 16(a) filing requirements during fiscal 2011 except for Director Rau's initial filing following his election by our stockholders at the 2010 Annual Meeting, which was filed in January 2011.

PROPOSAL NO. 1:

ELECTION OF DIRECTORS

At the 2011 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 31, 2011, 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 and Chief Executive Officer	64
William A. Hasler	Director	69
Clifford H. Higgerson	Director	71
Michael A. Pangia	Director, President and Chief Executive Officer	50
Raghavendra Rau	Director	62
Dr. Mohsen Sohi	Director	52
Dr. James C. Stoffel	Lead Independent Director	65
Edward F. Thompson	Director	73

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 Audit Committee of the Board has appointed Ernst & Young LLP as our independent registered public accounting firm to audit our consolidated financial statements for the fiscal year ending June 29, 2012 and our Board has ratified such appointment. During fiscal year 2011, Ernst & Young LLP served as our independent registered public accounting firm and provided certain tax and other audit related services.

Vote Required

Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending June 29, 2012 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 ERNST & YOUNG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE 2012 FISCAL YEAR

PROPOSAL NO. 3:

ADVISORY VOTE ON EXECUTIVE COMPENSATION

Beginning this year, a “say on pay” advisory vote is being 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 21 of this proxy statement, as well as the Summary Compensation Table and related compensation tables, notes and narrative, appearing on pages 30 through 39, 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.

PROPOSAL NO. 4:

ADVISORY VOTE ON THE FREQUENCY OF FUTURE ADVISORY VOTES ON EXECUTIVE COMPENSATION

The federal law that now requires each U.S. public company to hold a “say on pay” advisory vote also requires that stockholders be asked to vote on the frequency of “say on pay’ votes. Pursuant to this new law, which is set forth in the recently adopted Section 14A of the Exchange Act, in this Proposal No. 4 we are asking stockholders to vote on whether future advisory votes on executive compensation should occur every year, every two years or every three years. Stockholders will be able to specify one of four choices for this proposal on the proxy card: one year, two years, three years, or abstain. Stockholders are not voting to approve or disapprove the Board’s recommendation.

The Board understands that there are different views as to what is an appropriate frequency for advisory votes on executive compensation. The Company has engaged large and small stockholders on this issue and based on their feedback we believe that a majority of our stockholders would prefer an annual vote. The Board of Directors is therefore recommending that stockholders vote for holding the advisory vote on executive compensation EVERY YEAR.

Vote Required

The frequency with which the Company asks stockholders for an advisory vote on executive compensation that receives the most votes will be considered the advisory preference of the stockholders. While this advisory vote is non-binding, the Board will review and consider the voting results when evaluating the frequency with which the Company will ask stockholders for an advisory vote on executive compensation.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE COMPANY'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR CONDUCTING FUTURE ADVISORY VOTES ON EXECUTIVE COMPENSATION EVERY YEAR.

PROPOSAL NO. 5

APPROVAL OF AN INCREASE IN THE NUMBER OF SHARES AUTHORIZED FOR ISSUANCE UNDER THE COMPANY'S AMENDED AND RESTATED 2007 STOCK EQUITY PLAN

We are requesting that the stockholders vote in favor of approving an amendment to our Amended and Restated 2007 Stock Equity Plan (the "Amended 2007 Plan") to increase the number of shares of common stock authorized for issuance under the Amended 2007 Plan from 10,400,000 to 16,400,000 shares. The Amended 2007 Stock Equity Plan was originally amended and restated by the Board on September 14, 2009, upon the recommendation of the Compensation Committee and was approved by the stockholders at the Company's 2009 annual meeting of stockholders held on November 19, 2009. On August 31, 2011, upon the recommendation of the Compensation Committee, the Board approved an amendment to the Amended 2007 Stock Equity Plan to increase the number of shares authorized for issuance thereunder from 10,400,000 to 16,400,000, subject to the approval of the stockholders. The purpose of the increase in authorized shares is to secure adequate shares to fund expected awards under our long-term incentive program. Our Board believes that this number represents a reasonable amount of potential equity dilution and allows us to continue awarding equity incentives, which are an important component of our overall compensation program.

As of September 12, 2011, a total of 3,504,388 shares of common stock remained available for issuance under the Amended 2007 Plan. After giving effect to authorized long-term incentive awards for fiscal year 2012-14 that will be granted before the end of calendar year 2011, it is anticipated that approximately 1,737,000 shares of common stock will remain available for issuance under the Amended 2007 Plan, prior to the proposed increase in the maximum number of shares issuable under the Amended 2007 Plan. Under the terms of the Amended 2007 Plan, (x) each share with respect to which an option or stock-settled SAR is granted reduces the number of shares available for issuance under the Amended 2007 Plan by one share and (y) each share with respect to any other award denominated in shares that is granted reduces the number of shares available for issuance under the Amended 2007 Plan by 1.31 shares.

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

Summary of Amended 2007 Plan

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

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

Eligibility. Awards may be granted to any employee of or consultant to one or more of the Company and its affiliates or to non-employee members of the Board or of any board of directors (or similar governing authority) of any affiliate. Currently, approximately 64 employees are eligible under the Amended 2007 Plan.

Shares Subject to the Amended 2007 Plan. The shares issued or to be issued under the Amended 2007 Plan are authorized but unissued shares of common stock. Subject to adjustment for changes in capitalization, the maximum number of shares of common stock which may be issued or made subject to awards under the Amended 2007 Plan is currently 10,400,000, and no more than 10% of the available Amended 2007 Plan shares of common stock may be covered by awards issued to any one person in any one calendar year.

Subject to adjustment for changes in capitalization, in the case of any awards granted under the Amended 2007 Plan following the approval of the Amended 2007 Plan on November 19, 2009 by our stockholders, (x) each share with respect to which an option or stock-settled SAR is granted under the Amended 2007 Plan reduces the aggregate number of shares that may be delivered under the Amended 2007 Plan by one share and (y) each share with respect to which any other award denominated in shares is granted under the Amended 2007 Plan reduces the aggregate number of shares that may be delivered under the Amended 2007 Plan by 1.31 shares. Upon exercise of a stock-settled SAR, each share with respect to which such stock-settled SAR is exercised counts as one share against the maximum aggregate number of shares available under the Amended 2007 Plan, regardless of the number of shares actually delivered upon settlement of such stock-settled SAR. Settlement of any award does not count against the number of shares available for delivery under the Amended 2007 Plan except to the extent settled in the form of shares. If, after the effective date of the Amended 2007 Plan, any award granted under the Amended 2007 Plan or the Amended 2007 Plan (prior to November 19, 2009) is forfeited, or otherwise expired, terminated or is canceled without the delivery of all shares subject thereto, or is settled other than by the delivery of shares (and in the case of cash settlement, for less than the then-market value), then the number of shares subject to such award that were not issued are not treated as issued, such that the aggregate number of shares that may be delivered pursuant the Amended 2007 Plan is increased by the number of shares by which the aggregate number of shares was reduced at the time the original award was granted.

Types of Awards. Awards under the Amended 2007 Plan may include incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock, restricted stock units and performance units, qualified performance-based awards and stock grants. Each award is evidenced by an instrument in such form as the Compensation Committee may prescribe, setting forth applicable terms such as the exercise price and term of any option or applicable forfeiture conditions or performance requirements for any restricted stock or restricted stock units. Except as noted below, all relevant terms of any award are set by the Compensation Committee in its discretion. On September 12, 2011, the last share price of our common stock listed on the NASDAQ Global Market was $2.49.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- *Nonstatutory stock options*. Generally, there are no federal income tax consequences to the participants upon grant of nonstatutory stock options. Upon the exercise of such an option, the participant will recognize ordinary income in an amount equal to the amount by which the fair market value of the Class A common stock acquired upon the exercise of such option exceeds the exercise price, if any. A sale of common stock so acquired will give rise to a capital gain or loss equal to the difference between the fair market value of the common stock on the exercise and sale dates.

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

- *Restricted stock*. A participant will generally recognize ordinary income on receipt of an award of restricted stock when his or her rights in that award become substantially vested, in an amount equal to the amount by which the then fair market value of the common stock acquired exceeds the price he or she has paid for it, if any. Recipients of restricted stock may, however, within 30 days of receiving an award of restricted stock, choose to have any applicable risk of forfeiture disregarded for tax purposes by making an "83(b) election." If the participant makes an 83(b) election, he or she will have to report compensation income equal to the difference between the value of the shares and the price paid for the shares, if any, at the time of the transfer of the restricted stock.
- *Stock appreciation rights*. A participant will generally recognize ordinary income on receipt of cash or other property pursuant to the exercise of an award of stock appreciation rights.
- *Restricted stock units, performance units and stock grants*. A participant will generally recognize ordinary income on receipt of any shares of common stock, cash or other property in satisfaction of any of these awards under the Amended 2007 Plan.
- *Potential deferred compensation*. For purposes of the foregoing summary of federal income tax consequences, we assumed that no award under the Amended 2007 Plan will be considered "deferred compensation" as that term is defined for purposes of federal tax legislation governing nonqualified deferred compensation arrangements, Section 409A of the Code, or, if any award were considered to any extent to constitute deferred compensation, its terms would comply with the requirements of that legislation (in general, by limiting any flexibility in the time of payment). If an award includes deferred compensation, and its terms do not comply with the requirements of the legislation, then any deferred compensation component of an award under the Amended 2007 Plan will be taxable when it is earned and vested (even if not then payable) and the recipient will be subject to a 20% additional tax.
- *Section 162(m) limitations on the Company's tax deduction*. In general, whenever a recipient is required to recognize ordinary income in connection with an award, the Company will be entitled to a corresponding tax deduction. However, the Company will not be entitled to deductions in connection with awards under the Amended 2007 Plan to certain senior executive officers to the extent that the amount of deductible income in a year to any such officer, together with his or her other compensation from the Company exceeds the $1 million limitation of Section 162(m) of the Code. Compensation which qualifies as "performance-based" is not subject to this limitation, however.

New Plan Benefits. If the proposed amendment to the Amended 2007 Plan is approved by our stockholders, in the future, our Compensation Committee or our full Board will have available addition shares of our common stock for awards under the Amended 2007 Plan to eligible participants, including to our officers and directors. However, none of the benefits or amounts that will be received by or allocated to any such participants under the Amended 2007 Plan, as proposed to be amended, are determinable at this time.

Options, Warrants and Rights Received Under the 2007 Plan. The table below sets forth the number of options, warrants and rights received, at any time on or prior to September 12, 2011, by the individuals and groups listed in the table. No additional options, warrants and rights have been granted since such date to the following individuals or groups:

Name and Position	Number of Shares of Common Stock Underlying Options
Charles D. Kissner, Chairman and nominee for Director	421,521
Michael Pangia, President and Chief Executive Officer and nominee for Director	862,177
Thomas L. Cronan III, former Senior Vice President and Chief Financial Officer	346,871
Paul A. Kennard, Senior Vice President and Chief Technology Officer	416,543
Heinz H. Stumpe, Senior Vice President and Chief Operating Officer	377,350
Current Executive Officer Group	3,158,724
Current Non-Executive Director Group (listed below)	304,055
William A. Hasler (nominee for Director)	55,510
Clifford H. Higgerson (nominee for Director)	55,510
Raghavendra Rau (nominee for Director)	26,505
Dr. Mohsen Sohi (nominee for Director)	55,510
Dr. James C. Stoffel (nominee for Director)	55,510
Edward F. Thompson (nominee for Director)	55,510
Each associate of any such directors, executive officers or nominees	0
Each other person who received or is to receive 5% of such options, warrants or rights	0
Non-Executive Officer Employee Group	119,747

Vote Required

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

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE COMPANY'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF THE AMENDMENT TO THE AMENDED 2007 PLAN.

Proxy Statement

OTHER MATTERS

2011 Annual Report

Our annual report for the fiscal year ended July 1, 2011 will be available over the Internet and is mailed along with the other proxy materials to all stockholders who request printed copies in the manner specified in the Notice in this Proxy Statement.

Form 10-K

We filed an annual report on Form 10-K for the fiscal year ended July 1, 2011 with the SEC on September 12, 2011. 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 18, 2011.

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PROPOSED

AVIAT NETWORKS, INC.

2007 STOCK EQUITY PLAN

(As Amended and Restated Effective November 17, 2011)

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AVIAT NETWORKS, INC.

2007 STOCK EQUITY PLAN

(As Amended and Restated Effective November 17, 2011)

1. Purpose

This Plan is intended to encourage ownership of Stock by employees, consultants and directors of the Company and its Affiliates and to provide additional incentive for them to promote the success of the Company's business through the grant of Awards of or pertaining to shares of the Company's Stock. The Plan is intended to be an incentive stock option plan within the meaning of Section 422 of the Code, but not all Awards are required to be Incentive Options. This Plan has been amended and restated effective November 19, 2009 (the "Plan Restatement Effective Date") to increase the number of shares available for issuance pursuant to Awards and for certain other purposes.

2. Definitions

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

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

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

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

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

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

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

2.7. Change of Control means the occurrence of any of the following:

(a) the consummation of any merger, consolidation, share exchange or Acquisition, unless immediately following such merger, consolidation, share exchange or Acquisition at least 50% of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of (i) the entity resulting from such merger, consolidation or share exchange, or the entity which has acquired all or substantially all of the assets of the Company (in the case of an asset sale that satisfies the criteria of an Acquisition) (in either case, the "Surviving Entity"), or (ii) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity (the "Parent Entity") is represented by Company securities that were outstanding immediately prior to such merger, consolidation, share exchange or Acquisition (or, if applicable, is represented by shares into which such Company securities were converted pursuant to such merger, consolidation, share exchange or Acquisition), or

(b) any person or group of persons (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended and in effect from time to time) directly or indirectly acquires beneficial ownership (determined pursuant to Securities and Exchange Commission Rule 13d-3 promulgated under the said Exchange Act), other than through a merger, consolidation, share exchange or Acquisition, of securities possessing more than 30% of the total combined voting power of the Company's outstanding securities other than (i) an employee benefit plan of the Company or any of its Affiliates, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, or (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or

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

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

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

2.10. Company means Aviat Networks, Inc., a corporation organized under the laws of the Delaware.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Term of the Plan

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

4. Stock Subject to the Plan

At no time shall the number of shares of Stock issued pursuant to or subject to outstanding Awards granted under the Plan (including pursuant to Incentive Options), nor the number of shares of Stock issued pursuant to Incentive Options, exceed 16,400,000 shares of Stock, *subject, however*, to the provisions of Section 8 of the Plan. For purposes of applying the foregoing limitation,

(a) if any Option or Stock Appreciation Right expires, terminates, or is cancelled for any reason without having been exercised in full, or if any other Award is forfeited by the recipient or repurchased at less than its then Market Value as a means of effecting its forfeiture, the shares not purchased by the Optionee or which are forfeited by the recipient or repurchased shall again be available for Awards to be granted under the Plan;

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

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

(d) settlement of any Award shall not count against the foregoing limitation except to the extent settled in the form of Stock.

Shares of Stock issued pursuant to the Plan may be either authorized but unissued shares or shares held by the Company in its treasury.

5. Administration

The Plan shall be administered by the Committee; *provided, however*, that at any time and on any one or more occasions the Board may itself exercise any of the powers and responsibilities assigned the Committee under the Plan and when so acting shall have the benefit of all of the provisions of the Plan pertaining to the Committee's exercise of its authorities hereunder and provided further, however, that the Committee may delegate to an executive officer or officers the authority to grant Awards hereunder to employees who are not officers, and to consultants (but in no event to any non-employee member of the Board or of any board of directors (or similar governing authority) of any Affiliate), in accordance with such guidelines as the Committee shall set forth at any time or from time to time. Subject to the provisions of the Plan, the Committee shall have complete authority, in its discretion, to make or to select the manner of making all determinations with respect to each Award to be granted by the Company under the Plan including the employee, consultant or director to receive the Award and the form of Award. In making such determinations, the Committee may take into account the nature of the services rendered by the respective employees, consultants, and directors, their present and potential contributions to the success of the Company and its Affiliates, and such other factors as the Committee in its discretion shall deem relevant. Subject to the provisions of the Plan, the Committee shall also have complete authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective Award Agreements (which need not be identical), and to make all other determinations necessary or advisable for the administration of the Plan. The Committee's determinations made in good faith on matters referred to in the Plan shall be final, binding and conclusive on all persons having or claiming any interest under the Plan or an Award made pursuant hereto.

6. Authorization of Grants

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

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

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

6.4. Non-Transferability of Awards. Except as otherwise provided in this Section 6.4, Awards shall not be transferable, and no Award or interest therein may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. All of a Participant's rights in any Award may be exercised during the life of the Participant only by the Participant or the Participant's legal representative. However, the Committee may, at or after the grant of an Award of a Nonstatutory Option, or shares of Restricted Stock, provide that such Award may be transferred by the recipient to a family member; *provided, however*, that any such transfer is without payment of any consideration whatsoever and that no transfer shall be valid unless first approved by the Committee, acting in its sole discretion. For this purpose, "family member" means any child, stepchild, grandchild, parent, stepparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the employee's household (other than a tenant or employee), a trust in which the foregoing persons have more than fifty (50) percent of the beneficial interests, a foundation in which the foregoing persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than fifty (50) percent of the voting interests.

7. Specific Terms of Awards

7.1. Options.

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

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

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

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

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

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

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

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

7.2. Stock Appreciation Rights.

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

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

(c) Period. No Stock Appreciation Right may be exercised on or after the seventh anniversary of the Grant Date.

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

7.3. Restricted Stock.

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

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

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

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

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

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

7.4. Restricted Stock Units.

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

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

7.5. Performance Units.

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

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

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

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

7.7. Qualified Performance-Based Awards.

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

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

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

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

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

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

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

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

8. Adjustment Provisions

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

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

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

8.4. Dissolution or Liquidation. Upon dissolution or liquidation of the Company, other than as part of an Acquisition or similar transaction, each outstanding Option and SAR shall terminate, but the Optionee or SAR holder (if at the time in the employ of or otherwise associated with the Company or any of its Affiliates) shall have the right, immediately prior to the dissolution or liquidation, to exercise the Option or SAR to the extent exercisable on the date of dissolution or liquidation.

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

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

9. Change of Control

Upon the occurrence of a Change of Control:

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

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

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

None of the foregoing shall apply, however, (i) in the case of any Award pursuant to an Award Agreement requiring other or additional terms upon a Change of Control (or similar event), or (ii) if specifically prohibited under applicable laws, or by the rules and regulations of any governing governmental agencies or national securities exchanges. Nor shall the foregoing apply in the case of a Qualified Performance-Based Award except to the extent the foregoing would not interfere with the qualification of the Award under 162(m) of the Code at any time prior to a Change of Control (so that, for example, if a Change of Control occurs but does not constitute a change of control within the meaning of Section 162(m) of the Code, there shall be no Acceleration of any Qualified Performance-Based Award pursuant to this Section 9, but if the Change of Control does constitute a change of control within the meaning of Section 162(m) of the Code, then the Award shall Accelerate to the extent provided above regardless of whether it thereafter ceases to qualify as a Qualified Performance-Based Award).

10. Settlement of Awards

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

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

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

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

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

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

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

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

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

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

11. Reservation of Stock

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

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

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

13. Unfunded Status of Plan

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

14. Nonexclusivity of the Plan

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

15. Termination and Amendment of the Plan

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

The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, provided that the Award as amended is consistent with the terms of the Plan.

Notwithstanding the foregoing,

(a) the Board may not amend the Plan to (i) change the description of the persons eligible for Awards under the Plan (ii) increase the number of shares of Stock available under the Plan except as necessary to carry out the provisions of Section 8 (concerning certain adjustments attributable to corporate actions and other events), or (iii) change the basis on which shares under any Award are taken into account for purposes of the limitation on the number of shares of Stock available under the Plan, without shareholder approval;

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

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

16. Notices and Other Communications

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

17. Severability

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

18. Governing Law

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

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

Form 10-K

(Mark One)

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

For the fiscal year ended July 1, 2011

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 American Parkway Santa Clara, CA 95054	**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 31, 2010 (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 $265,083,000 based upon the closing price per share on The NASDAQ Global Market. For purposes of this calculation, the registrant has assumed that its directors and executive officers as of December 31, 2010 are affiliates.

The number of shares outstanding of the registrant's Common Stock as of August 31, 2011 was 60,194,128 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 17, 2011, which will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended July 1, 2011, are incorporated by reference into Part III of this Annual Report on Form 10-K.

AVIAT NETWORKS, INC.

ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended July 1, 2011

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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 volume, timing and customer, product and geographic mix of our product orders;*
- *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;*
- *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; and*
- *the impact of political turmoil in countries where we have significant business.*

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

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

PART I

Item 1. *Business*

Aviat Networks, Inc., together with its subsidiaries, is a leading global supplier of turnkey wireless transmission 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").

Our principal executive offices are located at 5200 Great America Parkway, Santa Clara, CA 95054, and our telephone number is (408) 567-7000. Our common stock is listed on the NASDAQ Global Market under the symbol AVNW. As of July 1, 2011, we employed approximately 1,000 people, compared with approximately 1,380 people as of July 1, 2010.

Recent Developments

In May 2011, we announced our intention to sell the WiMAX business. This move is part of our strategy to focus on our core microwave transmission business. On September 2, 2011, we completed the sale of our WiMAX business and related assets consisting of certain technology, inventory and equipment to EION Networks, Inc., a privately-owned Canadian company based in Ottawa, Ontario. As part of the terms of the sale, we assigned our customer contracts for WiMAX products and maintenance, and will license related patents to EION Networks, Inc.

On August 24, 2011, we announced that Thomas L. Cronan, Senior Vice President and Chief Financial Officer would leave the Company to pursue other business interests effectively immediately and was replaced by John J. Madigan as interim Chief Financial Officer. Mr. Madigan has been our Vice President, Corporate Controller and Principal Accounting Officer since January 4, 2011. We are actively searching for a new Chief Financial Officer.

On July 18, 2011, we announced the appointment of a new President and Chief Executive officer, Michael A. Pangia. Mr. Pangia joined Aviat Networks as Chief Sales Officer in March 2009 and during the last year led our efforts to restructure and refocus our sales and service teams. Mr. Pangia was also appointed as a member of our board of directors, which was increased from eight to nine members by resolution of our board. Our previous Chief Executive Officer, Charles D. Kissner, remains Chairman of the Board.

On August 25, 2010, we announced the closure of our Morrisville, North Carolina (RTP) facility. This was one of the key actions announced in our corporate restructuring plan to reduce annual spending. As part of the closure, several RTP business functions were relocated to our other facilities and the closure is now completed. The relocations included the following:

- The Network Operations Center moved to our San Antonio facility.
- IT/Network and Applications Support was moved to our Santa Clara headquarters facility.

- Finance operations were consolidated and moved to Santa Clara.
- Certain engineering functions were moved to select facilities in Slovenia and New Zealand.

Overview and Description of Business by Segment

We design, manufacture and sell a range of wireless networking products, solutions and services to mobile and fixed operators, private network operators, government agencies, transportation and utility companies, public safety agencies and broadcast network 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 solutions to enable operators to deploy, monitor and manage our systems, third party equipment such as antennas, routers, multiplexers, etc, necessary to build and deploy a complete wireless transmission network, and a full suite of turnkey support services. We offer a broad range of products and services through two reportable business segments based on geographical markets: North America and International. Revenue and other financial information regarding our business segments are set forth in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K.

North America Segment

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

Our North America segment revenue represented approximately 35%, 38% and 34% of our total revenue for fiscal 2011, 2010 and 2009, respectively. Although generally we sell products and services directly to our North American customers, we also use distributors to sell some products and services.

International Segment

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

Our International segment represented approximately 65%, 62% and 66% of our revenue for fiscal 2011, 2010 and 2009, respectively. We sell products and services directly to our international customers and also use agents and distributors.

Industry Background

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

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

- *Global wireless subscriber growth and introduction of new broadband mobile services.* The number of global wireless subscribers and minutes of use per subscriber are expected by industry analysts to continue to increase. The primary drivers include increased subscription and dramatic growth in demand for mobile broadband data services facilitated by the introduction of new data-driven devices, like smartphones and tablets. These third-generation, or "3G," data applications are now widely available in developed countries and some of developing countries, which have fueled an acceleration of data usage. New mobile standards now being deployed, including High Speed Packet Access (HSPA) and Evolved High Speed Packet Access (HSPA+) will further increase the demand for mobile data. We believe that growth as a result of new data services will continue for the next several years and persist with the introduction of the next generation of radio technologies, referred to as "4G" or LTE for mobile networks starting in 2011. These developments are driving many operators to upgrade their backhaul networks to 100% Internet Protocol, or IP-based, from the current traditional time-division multiplexing ("TDM") networks in order to provide higher network capacity and increased flexibility at a lower overall operating cost.

- *Increased growth in mobile and fixed wireless telecommunications infrastructures.* In many places, telecommunications services are inadequate or unreliable because of the lack of existing infrastructure or required security. To service providers in developing countries seeking to increase the availability and quality of telecommunications and Internet access services, wireless solutions are an attractive alternative to the construction or leasing of wireline networks, given their relatively low cost and ease of deployment. As a result, there has been an increased growth in mobile and fixed wireless telecommunications infrastructures in developing countries. Emerging telecommunications markets in Africa, Asia, the Middle East, Latin America and Eastern Europe are characterized by a need to build out basic telecommunications systems. We believe that microwave will play a key role in bringing broadband services to these countries which lack sufficient existing telecom infrastructure. In addition, there is a continuing requirement in developed countries for private networks maintained by both governmental and non-governmental entities.

- *Smart Grid.* Some governments are now promoting the adoption of smart grid to meet the increasing demand of energy, improve efficiency and security of networked grid and address environmental issues such as Greenhouse Gas Emission. The new deployment of smart grid or the upgrade of existing utility assets (including substations, distribution lines and power generation facilities), may drive increasing demand for wireless technologies.

Recent Trends and Developments in the Industry

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

- continuing fixed-line to mobile-line substitution;

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

- emergence of small cells that can efficiently offload the vast backhaul traffic from the core of mobile networks to meet service provider' capacity challenges and address ever-present coverage issues;

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

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

Strategy

Over the past year, we have made significant strides in 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 addresses the needs of service providers and network operators in every region of the world, addressing a broad range of applications, frequencies, capacities and network topologies. Product categories include point-to-point microwave radios that are licensed (subject to local frequency regulatory requirements), 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 Aviat Networks.

- *Broad product and solution portfolio.* We offer a comprehensive suite of wireless transmission systems for microwave and millimeter-wave backhaul and transport applications. Our solution consists of tailored offerings of our own wireless products and our own integrated ancillary equipment or that of other manufacturers, element and network management systems and professional services. These solutions address a wide range of transmission frequencies, ranging from 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.

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

- *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 the reusable components while at the same time allowing for a manufacturing strategy with a high degree of flexibility, improved cost and reduced time-to-market. The software features of our products offer our customers a greater degree of flexibility in installing, operating and maintaining their networks.

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

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

Business Operations

Sales and Service

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

Historically, our global manufacturing setup supporting customer demand involved a combination of in-house capability that largely focused on North America and outsourced capability for International. To improve our lead-time performance and overall cost, during fiscal 2011 we transitioned our Unites States in-house manufacturing capability to an entirely outsourced manufacturing model utilizing multiple locations of our existing contract manufacturing partners both in the United States and internationally. Additionally, we perform our system integration and customer test and acceptance operations at one contract manufacturer's site 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 business segment is as follows:

	July 1, 2011	July 2, 2010
	(In millions)	
North America	$ 98.5	$ 73.0
International	120.5	117.9
	$219.0	$190.9

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 July 1, 2011 during fiscal 2012, but we cannot be assured that this will occur. Product orders in our current backlog are subject to changes in delivery schedules or to cancellation at the option of the purchaser without significant penalty. Accordingly, although useful for scheduling production, backlog as of any particular date may not be a reliable measure of sales for any future period because of the timing of orders, delivery intervals, customer and product mix and the possibility of changes in delivery schedules and additions or cancellations of orders. The backlog figures exclude advance payments and unearned income amounts. As of July 1, 2011, no customers accounted for 10% or more of our total backlog.

Customers

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

During fiscal 2011, the Mobile Telephone Networks, or MTN group in Africa accounted for 14% of our total revenue compared with 17% in fiscal 2010 and 17% in fiscal 2009. We have entered into separate and distinct contracts with MTN as well as separate arrangements with MTN group subsidiaries. None of such other contracts on an individual basis are material to our operations. The loss of all MTN group business could adversely affect our results of operations, cash flows and financial position.

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 2011	67%
Fiscal 2010	67%
Fiscal 2009	69%

Description	Percentage of Non U.S. Revenue
Revenue from U.S. exports:	
Fiscal 2011	5%
Fiscal 2010	7%
Fiscal 2009	13%

Description	Percentage of Total Revenue
Revenue from operations conducted in local international currencies:	
Fiscal 2011	18%
Fiscal 2010	16%
Fiscal 2009	21%

Description	Percentage of Total Revenue
Revenue from foreign countries representing more than 5% of total revenue:	
Fiscal 2011 Nigeria	17%
Fiscal 2010 Nigeria	18%
Fiscal 2010 Saudi Arabia	7%
Fiscal 2009 Nigeria	22%
Fiscal 2009 Poland	5%

The functional currency of our subsidiaries located in the United Kingdom, Singapore, Mexico, Algeria and New Zealand is the U.S. dollar so the effect of foreign currency changes have not had a significant effect on our revenue. Direct export sales, as well as sales from international subsidiaries, are primarily denominated in U.S. dollars. International operations represented 52% and 64% of our long-lived assets as of July 1, 2011 and as of July 2, 2010.

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

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

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

The particular economic, social and political conditions for business conducted outside the U.S. differ from those encountered by domestic businesses. We believe that the overall business risk for our international business as a whole is somewhat greater than that faced by our domestic operations as a whole. For a discussion of the risks we are subject to as a result of our international operations, see "Item 1A. Risk Factors" 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. Some 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, ZTE and Nokia Siemens Networks, as well as a number of other smaller public and private microwave specialists companies such as Ceragon, DragonWave, Huawei Technologies and ZTE in selected markets. Some of our competitors are OEMs or systems integrators through which we sometimes distribute and sell products and services to end users.

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

Research, Development and Engineering

We believe that our ability to enhance our current products, develop and introduce new products on a timely basis, maintain technological competitiveness and meet customer requirements is essential to our success. Accordingly, we allocate, and intend to continue to allocate, a significant portion of our resources to research and development efforts in 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 $40.5 million, or 9.0 % of revenue in fiscal 2011, $31.1 million, or 6.7 % of revenue in fiscal 2010, and $36.4 million, or 5.4 % of revenue in fiscal 2009.

Research, development and engineering are primarily directed to the development of new products and to building technological capability. We are, and historically have been, an industry innovator. Consistent with our history and strategy of introducing innovative products, we intend to continue to focus significant resources on product development in an effort to maintain our competitiveness and support our entry into new markets. We maintain new product development programs that could result in new products, such as WTM3000 and expansion of the Eclipse Packet Node introduced in fiscal 2011.

Our product development team numbered 232 in July 2011, located in Santa Clara, California; Wellington, New Zealand; Singapore and Ljubljana, Slovenia.

Raw Materials and Supplies

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

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

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

Looking ahead, there is an increasing level of global shortages for some common electronic components used by numerous manufacturers across the industry. During the global economic downturn, many component suppliers reduced their manufacturing capacity commensurate with declining global demand. Recently, global demand has outpaced manufacturing capacity for some electronic components resulting in extended lead times and in some cases allocation to our contract manufacturers.

Patents and Other Intellectual Property

We consider our patents and other intellectual property rights, in the aggregate, to constitute an important asset. We own a portfolio of patents, trade secrets, know-how, confidential information, trademarks, copyrights and other intellectual property. We also license intellectual property to and from third parties. As of August 18, 2011, we held 123 U.S. patents and 98 international patents and had 52 U.S. patent applications pending and 70 international patent applications pending. We do not consider our business to be materially dependent upon any single patent, license or other intellectual property right, or any group of related patents, licenses or other intellectual property rights. From time to time, we might engage in litigation to enforce our patents and other intellectual property or defend against claims of alleged infringement. Any of our patents, trade secrets, trademarks, copyrights and other proprietary rights could be challenged, invalidated or circumvented, or may not provide competitive advantages. Numerous trademarks used on or in connection with our products are also considered to be valuable assets.

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

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

Environmental and Other Regulations

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

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

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

Employees

As of July 2, 2011 we employed approximately 1,000 people, compared with 1,380 as of the end of fiscal year 2010 and 1,521 as of the end of fiscal 2009. Approximately 540 of our employees are located in the U.S. We also utilized approximately 130 independent contractors as of July 2, 2011. 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 13, 2011, are as follows:

Name and Age	Position Currently Held and Past Business Experience
Michael A. Pangia, 50	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 the Chief Sales Officer where he was 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 and from 2005 to 2006, he was the Chief Operating Officer of Nortel's Asia region.
John J. Madigan, 53	Mr. Madigan was appointed to serve as our interim Chief Financial Officer, effective August 25, 2011. Mr. Madigan joined the Company in January of 2011 and since has served as our Vice President, Corporate Controller and Principal Accounting Officer. Prior to joining Aviat Networks, he served as Vice President, Corporate Controller of Redback Networks, Inc., an Internet network equipment provider, and then as

	Vice President, Finance after Ericsson's acquisition of Redback in January 2007. From 2001 to 2006, Mr. Madigan served as Controller of Siebel Systems, Inc., a customer relationship management application company which was acquired by Oracle Corporation in 2006. Mr. Madigan is a Certified Public Accountant and holds a bachelor degree in Business from Santa Clara University.
Paul A. Kennard, 60	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, 48	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 2002-2006.
Heinz H. Stumpe, 56	Mr. Stumpe was appointed Chief Operating Officer and Senior Vice President Global Operations on 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, 51	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 statement, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are available free of charge on our Web site as soon as reasonably practicable after these reports are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). Our website and the information posted thereon are not incorporated into this Annual Report on Form 10-K or any current or other periodic report that we file or furnish to the SEC.

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

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

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

As measured under U.S. generally accepted accounting principles ("U.S. GAAP"), we have incurred a net loss in each of the last 8 fiscal years. We incurred net losses of $90.5 million in fiscal 2011, $130.2 million in fiscal 2010 and $355.0 million in fiscal 2009 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 2010 and fiscal 2009.

Throughout fiscal 2011 we experienced strong price competition for new business in all regions while major customer consolidations also put pressure on revenue and gross margin. Our revenue declined to $452.1 million in fiscal 2011 compared with $465.5 million in fiscal 2010 and $677.9 million in fiscal 2009. 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.

Gross margin in fiscal 2011 was $128.1 million, or 28.3% of revenue, compared with $132.8 million, or 28.5% of revenue in fiscal 2010. We were able to offset price reductions in part through several programs to reduce cost, which included the end of sales of legacy product in North America and converting our customers to our new, more cost efficient product platform for that market. Additionally, we converted our North American product production to a contract manufacturer and completed the final closure of our North America factory facility, introduced new, less costly versions of our main product line and continued efforts to work with vendors to improve their prices.

During fiscal year 2011, we implemented our restructuring plan involving cost reduction initiatives and reduced our annual operating costs by approximately $21.3 million. These actions were intended to bring our operational cost structure in line with the changing dynamics of the microwave radio and telecommunications markets.

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 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 restructurings 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.

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

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

In addition, employees, whether or not directly affected by restructurings, 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, incent 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.

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. 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 common 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. We could incur significant costs in completing the transition. 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.

The effects of the global financial crisis 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 crisis and resulting 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 crisis 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 and Capital Resources" 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 2011, 2010 and 2009, we recorded charges to reduce the carrying value of our inventory to the lower of cost or market totaling $14.5 million, $29.6 million and $23.1 million, respectively. Such charges equaled 3.2%, 6.4%, and 3.4% of our revenue in fiscal 2011, 2010 and 2009, 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 cancelled or delayed, we may have incurred substantial expenses, making it more difficult for us to become profitable or otherwise negatively impacting our financial results. Furthermore, because of our lengthy sales cycle, our receipt of revenue from our selling efforts may be substantially delayed, our ability to forecast our future revenue may be more limited and our revenue may fluctuate significantly from quarter to quarter.

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

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

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

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

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

In some instances, we are dependent upon one or a few sources, either because of the specialized nature of a particular item or because of local content preference requirements pursuant to which we operate on a given project. Examples of sole or limited sourcing categories include metal fabrications and castings, for which we own the tooling and therefore limit our supplier relationships, and MMICs (a type of integrated circuit used in manufacturing microwave radios), which we procure at 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.

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

As of July 1, 2011, the net carrying value of our goodwill, definite-lived intangible assets and property, plant and equipment totaled $5.6 million, $4.1 million and $21.6 million, respectively.

During fiscal 2010, we recorded impairment charges of $66.4 million for identifiable intangible assets and property, plant and equipment. During fiscal 2009, we recorded impairment charges of $314.8 million for goodwill, identifiable intangible assets and property, plant and equipment. We did not record impairment losses for goodwill, identifiable intangible assets or property, plant and equipment in fiscal 2011.

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

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

A substantial portion of our sales are to customers in the telecommunications industry. These customers may require their suppliers to provide extended payment terms, direct loans or other forms of financial support as a condition to obtaining commercial contracts. We expect that we may provide or commit to financing where appropriate for our business. Our ability to arrange or provide financing for our customers will depend on a number of factors, including our credit rating, our level of available credit and our ability to sell off commitments on acceptable terms. More generally, we expect to routinely enter into long-term contracts involving significant amounts to be paid by our customers over time. Pursuant to these contracts, we may deliver products and services representing an important portion of the contract price before receiving any significant payment from the customer. As a result of the financing that may be provided to customers and our commercial risk exposure under long-term contracts, our business could be adversely affected if the financial condition of our customers erodes. Over the past few years, certain of our customers have filed with the courts seeking protection under the bankruptcy or reorganization laws of the applicable jurisdiction, or have experienced financial difficulties. As a result of the more challenging economic environment, we have seen an increase in the number of our customers experiencing such difficulties since 2008, and we expect that trend to intensify if the global economy deteriorates further in 2012. That trend may be exacerbated in many emerging markets, where our customers are being affected not only by recession, but by deteriorating local currencies and a lack of credit. Upon the financial failure of a customer, we may experience losses on credit extended and loans made to such customer, losses relating to our commercial risk exposure and the loss of the customer's ongoing business. If customers fail to meet their obligations to us, we may experience reduced cash flows and losses in excess of reserves, which could materially adversely impact our results of operations and financial position.

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

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

Our average sales prices may decline in the future.

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

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

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

- the jurisdictions in which profits are determined to be earned and taxed;
- adjustments to estimated taxes upon finalization of various tax returns;
- increases in expenses not deductible for tax purposes, including write-offs of acquired in-process research and development and impairment of goodwill in connection with acquisitions;
- changes in available tax credits;
- changes in share-based compensation expense;
- changes in the valuation of our deferred tax assets and liabilities;
- changes in domestic or international tax laws or the interpretation of such tax laws;
- the resolution of issues arising from tax audits with various tax authorities;
- 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 2011, 2010 and 2009. Although we have a large customer base, during any given quarter, a small number of customers may account for a significant portion of our revenue.

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

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

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

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

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

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

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

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

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

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

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

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

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

We are highly dependent on sales to customers outside the U.S. In fiscal 2011, 2010 and 2009, our sales to international customers accounted for 67%, 67% and 69%, 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.

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

- unexpected changes in regulatory requirements;
- fluctuations in international currency exchange rates;
- imposition of tariffs and other barriers and restrictions;
- management and operation of an enterprise spread over various countries;

- the burden of complying with a variety of laws and regulations in various countries;
- application of the income tax laws and regulations of multiple jurisdictions, including relatively low-rate and relatively high-rate jurisdictions, to our sales and other transactions, which results in additional complexity and uncertainty;
- general economic and geopolitical conditions, including inflation and trade relationships;
- war and acts of terrorism;
- kidnapping and high crime rate;
- natural disasters;
- currency exchange controls; and
- changes in export regulations.

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

Our 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.

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

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

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

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

- volume and timing of our product orders received and delivered during the quarter;
- our ability and the ability of our key suppliers to respond to changes on demand as needed;

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

Our quarterly results are expected to be difficult to predict and delays in product delivery or closing a sale can cause revenue and net income or loss to fluctuate significantly from anticipated levels. A substantial portion of our contracts are completed in the latter part of a quarter and a significant percentage of these are large orders. Because a significant portion of our cost structure is largely fixed in the short term, revenue shortfalls tend to have a disproportionately negative impact on our profitability and 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.

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"). This action relates to the restatement of our prior financial statements as discussed in our fiscal 2008 Annual Report on Form 10-K filed with the Securities and Exchange Commission on September 25, 2008. Similar complaints were filed in the United States District Court of Delaware on October 6 and October 30, 2008. Each complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, as well as violations of Sections 11 and 15 of the Securities Act of 1933 and seeks, among other relief, determinations that the action is a proper class action, unspecified compensatory damages and reasonable attorneys' fees and costs. The actions were consolidated on June 5, 2009 and a consolidated class action complaint was filed on July 29, 2009 ("Dutton"). On July 27, 2010, the Court denied the motions to dismiss that we and the officer and director defendants had filed. On September 9, 2010, we and the officer and director defendants filed an answer denying the material allegations of the consolidated class action complaint.

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 is to cause $8.9 million to be paid into a settlement fund. The entire settlement amount is covered by insurance and has been assumed by the insurance company. A motion for preliminary approval of the settlement was filed with the Court on June 1, 2011 and the Court issued its order preliminarily approving the settlement on June 21, 2011. The hearing on final approval of the settlement is set for September 16, 2011. See "Item 3. Legal Proceedings" in this Annual Report on Form 10-K.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

As of July 1, 2011, we lease approximately 321,000 square feet of facilities worldwide, with approximately 59% in our North America segment, mostly in California, Texas, North Carolina and Montreal. 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 44,000 square feet of office and manufacturing facilities in San Antonio and Austin, Texas. In our International segment, we lease approximately 132,000 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 will take 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. In addition, as part of the fiscal 2007 acquisition of Stratex, we acquired a vacated leased facility in Seattle, Washington. This facility consists of approximately 100,000 square feet, of which approximately 72,000 square feet have been subleased to third parties. We have on-going lease commitment for this location ending in fiscal 2012.

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

Item 3. *Legal Proceedings*

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"). This action relates to the restatement of our prior financial statements as discussed in our fiscal 2008 Annual Report on Form 10-K filed with the Securities and Exchange Commission on September 25, 2008. Similar complaints were filed in the United States District Court of Delaware on October 6 and October 30, 2008. Each complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, as well as violations of Sections 11 and 15 of the Securities Act of 1933 and seeks, among other relief, determinations that the action is a proper class action, unspecified compensatory damages and reasonable attorneys' fees and costs. The actions were consolidated on June 5, 2009 and a consolidated class action complaint was filed on July 29, 2009 ("Dutton"). On July 27, 2010, the Court denied the motions to dismiss that we and the officer and director defendants had filed. On September 9, 2010, we and the officer and director defendants filed an answer denying the material allegations of the consolidated class action complaint.

On May 31, 2011, we and the other named defendants entered into a stipulation of settlement ("Stipulation") with respect to the *Dutton* action, pursuant to which we are to cause $8.9 million to be paid into a settlement fund. The entire settlement amount is covered by insurance and has been assumed by the insurance company. A motion for preliminary approval of the settlement was filed with the Court on June 1, 2011 and the Court issued its order preliminarily approving the settlement on June 21, 2011. The hearing on final approval of the settlement is set for September 16, 2011.

The effectiveness of the Stipulation and the settlement incorporated therein is conditioned on the following remaining conditions:

(i) Our and Harris Corporation's option to terminate the Stipulation if prior to the settlement hearing the aggregate number of shares of Aviat Network's common stock purchased during the class period by all class members who would otherwise be entitled to participate in the settlement but who validly request exclusion equals or exceeds the sum specified in a supplemental agreement between the parties;

(ii) the Court entering an order of final approval of the Class Action settlement;

(iii) the Court entering judgment in the Class Action; and

(iv) the judgment becoming final.

There can be no assurance that the settlement will be approved or become effective.

Certain of our former executive officers and directors were named in a complaint filed on March 17, 2011 in the United States District Court for the District of Delaware by plaintiff Sandra J. Cutler Living Trust. 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 seeks to recover unspecified damages and other relief on behalf of Aviat Networks, as well as payment of costs and attorneys fees. Defendants, including Aviat Networks as nominal defendant, filed their motion to dismiss on July 25, 2011. Following the filing of the motion to dismiss, plaintiff asked Defendants to stipulate to a dismissal of the action, without prejudice. The parties filed a stipulation requesting that the Court dismiss the action and, on August 18, 2011, the Court entered an order granting the stipulation and dismissing the action, without prejudice.

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 intend to defend our interests in the litigation vigorously.

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

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

Item 4. ***Removed and Reserved***

PART II

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

Market Information and Price Range of Common Stock

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 31, 2011, there were approximately 5,500 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 2011 and 2010:

	Fiscal 2011		Fiscal 2010	
	High ($)	Low ($)	High ($)	Low ($)
First Quarter	4.28	3.46	7.62	5.77
Second Quarter	5.25	4.00	7.46	5.92
Third Quarter	6.37	5.02	7.87	5.92
Fourth Quarter	5.21	3.70	7.35	3.50

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 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 2011, we did not issue or sell any unregistered securities.

Issuer Repurchases of Equity Securities

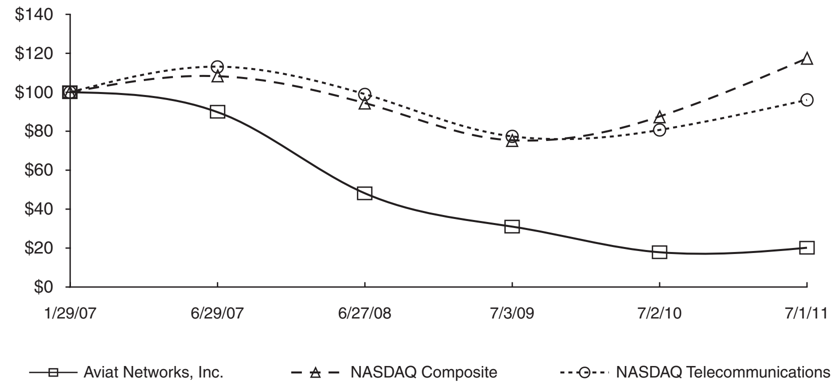
During the fourth quarter of fiscal 2011, we did not repurchase any equity securities.

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 four-year, five month period commencing January 29, 2007 and ending July 1, 2011. 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 53 MONTH CUMULATIVE TOTAL RETURN*

Among Aviat Networks, Inc., the NASDAQ Composite Index and the NASDAQ Telecommunications Index



	1/29/2007	6/29/2007	6/27/2008	7/3/2009	7/2/2010	7/1/2011
Aviat Networks, Inc.	100.00	89.90	47.90	30.75	17.50	19.80
NASDAQ Composite	100.00	108.40	94.36	75.13	87.34	117.43
NASDAQ Telecommunications	100.00	113.06	98.90	77.29	80.50	96.07

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

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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. The selected financial information as of and for the fiscal years ended July 1, 2011, July 2, 2010, July 3, 2009, June 27, 2008 and June 29, 2007 has been derived from our audited consolidated financial statements, for which data presented for fiscal years 2011, 2010 and 2009 are included elsewhere in this Annual Report on Form 10-K. Beginning in the third quarter of fiscal 2011, the results of our WiMAX business are presented as discontinued operations in our consolidated financial statements. Historical amounts in fiscal 2010 and fiscal 2009 are reclassified to conform to current period presentation. This table should be read in conjunction with our other financial information, including "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes, included elsewhere in this Annual Report on Form 10-K.

	Fiscal Years Ended				
	July 1, 2011	July 2, 2010	July 3, 2009	June 27, 2008	June 29, 2007
			(In millions)		
Revenue from product sales and services	$ 452.1	$ 465.5	$ 677.9	$ 718.4	$ 507.9
Cost of product sales and services	(324.0)	(332.7)	(503.8)	(528.2)	(361.2)
Loss from continuing operations	(58.8)	(108.4)	(348.8)	(11.9)	(21.8)
Net loss	(90.5)	(130.2)	(355.0)	(11.9)	(21.8)
Basic and diluted per common share:					
Loss from continuing operations	(1.00)	(1.82)	(5.94)	(0.20)	(0.88)
Net loss	(1.54)	(2.19)	(6.05)	(0.20)	(0.88)

	As of				
	July 1, 2011	July 2, 2010	July 3, 2009	June 27, 2008	June 29, 2007
			(In millions)		
Total assets	$383.9	$447.0	$600.2	$977.3	$1,025.5
Long-term liabilities	9.1	17.2	17.9	28.1	65.0
Total net assets	177.7	263.2	387.9	748.2	746.4

The following table summarizes certain charges, expenses and gains included in our net losses for each of the fiscal years in the five year period ended July 1, 2011.

	Fiscal Years Ended				
	July 1, 2011	July 2, 2010	July 3, 2009	June 27, 2008	June 29, 2007
			(In millions)		
Goodwill impairment charges	$ —	$ —	$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	6.6	16.9	29.8	14.7	—
Amortization of purchased technology and intangible assets	3.4	12.3	12.7	14.6	10.5
Restructuring charges	15.4	7.1	8.2	9.3	9.3
Amortization of the fair value adjustments related to fixed assets and inventory	0.2	0.6	1.7	2.8	9.0
Acquired in-process research and development	—	—	2.4	—	15.3
Cost of integration activities undertaken in connection with the Stratex merger	—	—	—	11.1	5.4
Gains from sale of building and Telsima acquisition purchase price settlement		(2.2)	—	—	—
Loss on sale of NetBoss assets	4.6	—	—	—	—
Transactional tax assessments	2.8	—	—	—	—
Liquidation of entities	0.8	—	—	—	—
Other charges or adjustments	(0.9)	—	—	—	—
Share-based compensation expense	4.8	3.1	2.9	7.8	5.7
	$38.6	$112.6	$372.5	$60.3	$55.2

Annual Report

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

Overview of Business; Operating Environment and Key Factors Impacting Fiscal 2011 and 2012 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.

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

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

Fiscal Year 2011 was a challenging year for the company. On August 12, 2010, we announced a restructuring plan as a first step in a comprehensive strategic plan to enable a return to profitability, and continue building out a stable platform to drive sustainable revenue growth. The restructuring plan included: accelerating innovation in our core business of wireless transmission including microwave backhaul in order to extend its performance leadership over competitive solutions, selling off assets and businesses such as NetBoss and WiMAX that were not complementary to our core business, improving costs and operational efficiency and expanding our services solutions, specifically network operations management and professional services, to further differentiate the company in the IP mobile backhaul market. We are pleased to report that we have made significant progress on all key actions associated with this restructuring which has enabled the company to improve its product portfolio and operations to quickly respond to the changing needs of customers, markets and the industry with increased flexibility and speed.

While we continue to face a difficult business environment, we are focused on maintaining the fast paced momentum we began in fiscal year 2010. We will continue to strengthen our balance sheet and focus on developing cost competitive, high performance products to meet our customer's needs. We will continue our aggressive steps to restore profitability and accelerate innovation to maintain our position as a leading independent wireless transmission provider.

Our strategic focus in fiscal 2012 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're focused on what we do well and what will differentiate us in the future. We will continue working aggressively to streamline management processes to run with the speed required by the markets in which we do business.

Operations Review

In the discussion below, our fiscal year ended July 1, 2011 is referred to as "fiscal 2011" or "2011"; fiscal year ended July 2, 2010 as "fiscal 2010" or "2010" and fiscal year ended July 3, 2009 as "fiscal 2009" or "2009."

In March 2011, our board of directors approved a plan for the sale of our WiMAX business and we engaged an investment bank to market the sale of our WiMAX business. We considered its history of operating losses, lower than anticipated sales volume and additional investment required to achieve competitive technology, product functionality and manufacturing costs and to increase selling, marketing and distribution efforts. This decision resulted from an effort to complete the strategic plan to streamline the business and focus our time and resources on growing our core microwave business to better position us for long-term success. The sale of WiMAX business was completed on September 2, 2011.

During the quarter ended April 1, 2011, we began accounting for WiMAX business as a discontinued operation. We have reclassified WiMAX business' operating results for all prior periods presented to loss from discontinued operations in our consolidated statements of operations. The discussions on our revenue, operating loss, gross margin, operating expenses, operating loss, other income or loss and income taxes have excluded WiMAX business results, which are discussed separately below.

In September 2010, we sold the NetBoss assets to a third party resulting in a loss on sale of $4.6 million during fiscal 2011.

Revenue

Our revenue was $452.1 million in fiscal 2011, compared with $465.5 million in fiscal 2010 and $677.9 million in fiscal 2009. We manage our business primarily on a geographic basis, based on two geographic segments: North America and International (which contains three geographic regions). Our revenue by segment and region are summarized in the table below:

	Fiscal Year			$ Change		% Change	
(In millions, except percentages)	**2011**	**2010**	**2009**	**2011 /2010**	**2010 /2009**	**2011 /2010**	**2010 /2009**
North America	$160.4	$174.8	$231.9	$(14.4)	$ (57.1)	(8.2)%	(24.6)%
International:							
Africa	114.9	122.3	213.8	(7.4)	(91.5)	(6.1)%	(42.8)%
Europe, Middle East, and Russia	102.1	86.9	139.7	15.2	(52.8)	17.5%	(37.8)%
Latin America and AsiaPac	74.7	81.5	92.5	(6.8)	(11.0)	(8.3)%	(11.9)%
Total International	291.7	290.7	446.0	1.0	(155.3)	0.3%	(34.8)%
Total Revenue	$452.1	$465.5	$677.9	$(13.4)	$(212.4)	(2.9)%	(31.3)%

Throughout fiscal 2011 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.

During fiscal 2011, the MTN group in Africa accounted for 14% of our total revenue compared with 17% in fiscal 2010 and 17% in fiscal 2009. We have entered into separate and distinct contracts with MTN as well as separate arrangements with MTN group subsidiaries. None of such other contracts on an individual basis are material to our operations. The loss of all MTN group business could adversely affect our results of operations, cash flows and financial position.

North America

North America segment revenue decreased by $14.4 million, or 8.2%, in fiscal 2011 compared with fiscal 2010. This decline is 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 where 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 of fiscal 2011 to the fourth quarter of fiscal 2011.

North America segment revenue decreased by $57.1 million, or 24.6%, in fiscal 2010 compared with fiscal 2009. This decrease in revenue resulted primarily from the economic recession and the continuing credit crisis adversely affecting our North America customers' expansion.

International

Our International segment 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 smaller 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.

International segment revenue decreased by $155.3 million or 34.8% in fiscal 2010 compared with fiscal 2009. This decrease in revenue resulted from significant declines in all regions, most acutely in Africa and Europe, Middle East and Russia. These declines in revenue were primarily due to the global economic recession and the continuing credit crisis adversely affecting our customers' ability to finance expansion, as well as increased competition from our competitors. Increased competition has affected product pricing and the ability to combine microwave equipment with other product sales and services. Furthermore, revenue has been negatively affected by anticipated or planned consolidation of our customers and reduced foreign government-based subsidized financing, particularly in Africa.

Operating Loss

Our operating loss by segment is summarized in the table below:

	Fiscal Year			$ Change		% Change	
(In millions, except percentages)	**2011**	**2010**	**2009**	**2011 /2010**	**2010 /2009**	**2011 /2010**	**2010 /2009**
North America	$(21.3)	$ (52.8)	$ (62.8)	$31.5	$ 10.0	(59.6)%	(15.9)%
International	(13.3)	(58.7)	(266.3)	45.4	207.6	(77.3)%	(78.0)%
Total operating loss	$(34.6)	$(111.5)	$(329.1)	$76.9	$217.6	(69.0)%	(66.1)%

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The following charges, expenses and gains included in our operating loss during these periods by segment are set forth on a comparative basis in the table below:

	Fiscal 2011			Fiscal 2010			Fiscal 2009		
(In millions)	North America	International	Total	North America	International	Total	North America	International	Total
Restructuring	$11.5	$ 3.9	$15.4	$ 5.6	$ 1.5	$ 7.1	$ 5.1	$ 3.1	$ 8.2
Goodwill impairment charges	—	—	—	—	—	—	31.8	247.2	279.0
Intangible assets impairment charges	—	—	—	5.1	52.6	57.7	10.7	21.9	32.6
Property, plant and equipment impairment charges	—	—	—	7.0	1.7	8.7	3.2	—	3.2
Rebranding and transitional costs	0.9	—	0.9	6.4	2.0	8.4	—	—	—
Charges for product transition, product discontinuances and inventory mark-downs	6.6	—	6.6	16.9	—	16.9	25.3	4.5	29.8
Amortization of purchased technology and intangible assets	3.4	—	3.4	11.7	0.6	12.3	3.0	9.7	12.7
Amortization of fair value adjustments related to fixed assets	0.2	—	0.2	0.5	0.1	0.6	0.6	1.1	1.7
Acquired in-process research and development	—	—	—	—	—	—	—	2.4	2.4
Gain on sale of building	—	—	—	(1.0)	—	(1.0)	—	—	—
Share-based compensation expense	3.8	1.0	4.8	2.9	0.2	3.1	1.8	1.1	2.9
Other	—	(0.9)	(0.9)	—	—	—	—	—	—
	$26.4	$ 4.0	$30.4	$55.1	$58.7	$113.8	$81.5	$291.0	$372.5

Charges in Fiscal 2011, 2010 and 2009

During the first quarter of fiscal 2011, we initiated a new restructuring plan to reduce our operational costs (the "Fiscal 2011 Plan"). 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. In addition, during fiscal 2011, we continued restructuring activities that commenced during fiscal 2009 to reduce our workforce in the U.S., France, Canada and other locations throughout the world (the "Fiscal 2009 Plan"). These activities primarily consisted of outsourcing our San Antonio manufacturing operations to a third party in Austin, Texas.

Restructuring charges in fiscal 2011 included severance, related benefit charges and facilities costs totaling $15.4 million related to our Fiscal 2011 and Fiscal 2009 Restructuring Plans. During fiscal 2010, our restructuring charges totaled $7.1 million related to our Fiscal 2009 Restructuring Plan compared with $8.2 million in fiscal 2009.

In fiscal 2011, we incurred charges of $6.6 million related to provisions for excess and obsolete product inventory associated with the end of life of our legacy products. In fiscal 2010, we incurred $16.9 million of charges to converge our products onto a single platform. These charges included $7.9 million related to provisions for legacy product excess and obsolete inventory. In 2009, we incurred charges of $29.8 million primarily due to excess and obsolete inventory from product transitioning and discontinuance.

During fiscal 2010, we recorded impairment charges of $57.7 million for identifiable intangible assets and $8.7 million for property, plant and equipment. We also reduced the remaining useful lives of our remaining identifiable intangible assets. During fiscal 2009, we recorded impairment charges of $279.0 million for goodwill and $32.6 million for the Stratex trade name.

The fiscal 2010 and fiscal 2009 impairment charges of our goodwill, identifiable intangible assets and property, plant and equipment were indicated by a decline in our market capitalization and recent and expected financial performance. The results of our impairment test indicated impairment since the estimated undiscounted cash flows for these assets were less than their respective carrying values.

Amortization of intangible assets and purchased technology decreased in fiscal 2011 compared with fiscal 2010 and fiscal 2009 due to lower intangible asset balances in fiscal 2011 resulting from impairment charges recorded in the fourth quarter of fiscal 2010.

North America

Our North America segment operating loss in fiscal 2011 was $21.3 million compared with a segment operating loss of $52.8 million in fiscal 2010. The loss in fiscal 2011 included $11.5 million of charges for restructuring and $6.6 million related to provisions for excess and obsolete inventory associated with the end of life of our legacy products. These charges are included in the table under the Operating Loss section above along with other charges, expenses and gains for each of our business segments and the Company as a whole. The North America segment fiscal 2011 operating loss was also negatively impacted by an 8.2% decline in revenue compared with fiscal 2010 and the product pricing pressures discussed above under the section *Revenue*.

Our North America segment operating loss in fiscal 2010 was $52.8 million compared with a segment operating loss of $62.8 million in fiscal 2009. The loss in fiscal 2010 included charges to converge our products onto a single platform by the end of fiscal year 2010 and impairments for intangible assets, property, plant and equipment and certain other assets. Additionally, we incurred other charges and expenses including restructuring costs, amortization of purchased intangibles and share compensation expense. Finally, we recognized a $1.0 million gain on sale of our San Antonio, Texas property.

Our North America segment had an operating loss of $62.8 million in fiscal 2009 primarily due to goodwill impairment and charges for the accelerated transition towards a common IP-based platform. The charges for this accelerated product transition included provisions for legacy product excess and obsolete inventory, and write-downs of property, plant, manufacturing and test equipment, and charges recorded for inventory purchase commitments.

International

Our International segment operating loss in fiscal 2011 was $13.3 million compared with a segment operating loss of $58.7 million in fiscal 2010. The loss in fiscal 2011 included $3.9 of charges for restructuring. Please refer to the table under the Operating Loss section above for this and other charges, expenses and gains for each of our business segments and the Company as a whole. The International segment fiscal 2011operating loss was also negatively impacted by the product pricing pressures.

The International segment operating loss of $58.7 million in fiscal 2010 resulted primarily from $54.3 million of impairments for intangible assets and property, plant and equipment and a 34.8% decline in revenue when compared with fiscal 2009.

The International segment operating loss of $266.3 million in fiscal 2009 primarily resulted from impairment charges for goodwill and the trade name “Stratex”, as well as charges related to the accelerated transition towards a common IP-based product platform.

Gross Margin

(In millions, except percentages)	Fiscal Year 2011	2010	2009	$ Change 2011 /2010	2010 /2009	% Change 2011 /2010	2010 /2009
Revenue	$452.1	$465.5	$677.9	$(13.4)	$(212.4)	(2.9)%	(31.3)%
Cost of revenue	324.0	332.7	503.8	(8.7)	(171.1)	(2.6)%	(34.0)%
Gross margin	$128.1	$132.8	$174.1	$ (4.7)	$ (41.3)	(3.5)%	(23.7)%
% of revenue	28.3%	28.5%	25.7%				

Fiscal 2011 Compared with 2010

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

Gross margin in fiscal 2011 was $128.1 million, or 28.3% of revenue, compared with $132.8 million, or 28.5% of revenue in fiscal 2010. We experienced significant pricing pressure in all regions of the world during fiscal 2011. All competitors bid aggressively for new business to improve market share or to retain customers, who continued to consolidate during the year. We were able to offset price reductions in part through several programs to reduce cost, which included the end of sales of legacy product in North America and converting our customers to our new and more cost efficient product platform for that market. Additionally, we converted our North American product production to a contract manufacturer and completed the final closure of our North America factory facility, introduced new, less costly versions of our main product line and continued efforts to work with vendors to improve their prices.

Gross margin in our North America segment in fiscal 2011 included a charge of $6.6 million related to provisions for excess and obsolete inventory associated with the end of life of our legacy products. During the course of the year, we experienced greater than expected costs to transition production to contract manufacturing in North America. Those incremental costs contributed to the weaker than expected gross margins for the year. We completed the transition of this activity to a new contract manufacturer by the end of the fiscal year.

Amortization of purchased technology is included in cost of product sales and services. Amortization expenses decreased to $0.7 million in fiscal 2011 compared with $7.2 million in fiscal 2010 due to lower intangible asset balances in fiscal 2011 resulting from impairment on purchased technology charges of $49.5 million recorded in the fourth quarter of fiscal 2010.

Gross margin in fiscal 2010 was impacted by $16.9 million of charges, or 3.6% to converge our products onto a single platform by the end of fiscal year 2010. These charges included $7.9 million related to provisions for legacy product excess and obsolete inventory, and $5.5 million for impairment of a building and idle equipment in our North America segment. Additionally, $3.5 million in charges were recorded for inventory purchase commitments and $8.2 million for amortization of purchased technology.

Fiscal 2010 Compared with 2009

Gross margin in fiscal 2010 was $132.8 million, or 28.5% of revenue, compared with $174.1 million, or 25.7% of revenue in fiscal 2009. Our gross margin percentage improved during fiscal 2010 compared with fiscal 2009 due to the benefit from the pricing and structure of certain customer arrangements, primarily during the first two quarters of fiscal 2010. Gross margin also benefited from lower logistics expenses, lower manufacturing overhead and improved supplier pricing on select projects primarily during the first two quarters of fiscal 2010. However, these improvements were partially offset by a reduction in the volume of sales of our legacy products during the second half of fiscal 2010 which, combined with increased start-up production costs of new products and the items discussed above, adversely affected our gross margin.

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

Research and Development Expenses

	Fiscal Year			$ Change		% Change	
(In millions, except percentages)	**2011**	**2010**	**2009**	**2011 /2010**	**2010 /2009**	**2011 /2010**	**2010 /2009**
Research and development expenses	$40.5	$31.1	$36.4	$9.4	$(5.3)	30.2%	(14.6)%
% of revenue	9.0%	6.7%	5.4%				

Fiscal 2011 Compared with 2010

Research and development ("R&D") expenses increased by $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 $9.4 million increases in R&D expenses, primarily personnel 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 that occurred upon the achievement of new product development milestones.

Fiscal 2010 Compared with 2009

As a percentage of revenue, R&D expenses increased to 6.7% in fiscal 2010 from 5.4% in fiscal 2009 due to 56.3% lower revenue and a 14.6% decrease in spending. The decrease in R&D spending, primarily personnel expenses, in fiscal 2010 compared with fiscal 2009 was primarily attributable to a reduction in TRuepoint 6000 product development efforts, partially offset by increases in energy, security and surveillance product development.

Selling and Administrative Expenses

	Fiscal Year			$ Change		% Change	
(In millions, except percentages)	**2011**	**2010**	**2009**	**2011 / 2010**	**2010 / 2009**	**2011 / 2010**	**2010 /2009**
Selling and administrative expenses	$104.0	$134.7	$135.9	$(30.7)	$(1.2)	(22.8)%	(0.9)%
% of revenue	23.0%	28.9%	20.0%				

Fiscal 2011 Compared with Fiscal 2010

The following table summarizes the significant increases and 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 rebranding and transitional costs incurred in fiscal 2010 due to corporate name change and costs to phase-out transitional services agreement with Harris	(1.3)
Other, net	(3.9)
	$(30.7)

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Fiscal 2010 Compared with Fiscal 2009

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

	Amount (In millions)
Increase in commissions paid to sales agents	$ 4.5
Increase in software amortization	2.5
Increase in executive severance for former CEO	1.8
Increase due to rebranding and transitional costs due to corporate name change and costs to phase-out transitional services agreement with Harris	1.3
Reduction in bad debt expense	(7.3)
Reduction in software impairments included in selling and administrative expenses	(2.9)
Reduction in costs charged by Harris for administrative services	(2.5)
Other, net	1.4
	$(1.2)

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

Other Income (Loss), Interest Income and Interest Expense

(In millions)	Fiscal Year 2011	2010	2009
Loss on sale of NetBoss assets	$(4.6)	$—	$—
Other income (loss), net	(3.6)	1.2	—
Interest income	0.3	0.3	0.9
Interest expense	(2.2)	(2.2)	(2.8)

During fiscal 2011, we incurred other losses consisting of $4.6 million from the sale of NetBoss assets, $2.8 million from transactional tax assessments and $0.8 million from the costs to liquidate certain foreign subsidiaries. This compares with a gain of $1.2 from final settlement of the Telsima acquisition purchase price during fiscal 2010.

Interest expense for all fiscal years presented primarily related to preference dividends on our $8.25 million redeemable preference shares and interest expense associated with our credit facilities. In fourth quarter of fiscal 2011, we agreed to redeem the shares on January 30, 2012.

Income Taxes

(In millions, except percentages)	Fiscal Year 2011	2010	2009	$ Change 2011 /2010	2010 /2009
Loss from continuing operations before income taxes	$(44.7)	$(112.2)	$(331.0)	$67.5	$218.8
Provision for (benefit from) income taxes	$ 14.1	$ (3.8)	$ 17.8	$17.9	$ (21.6)
% of loss from continuing operations before income taxes	31.5%	(3.4)%	5.4%		

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

The income tax expense from continuing operations for fiscal 2009 was $17.8 million. The variation between our income tax expense from continuing operations of $17.8 million and income tax benefit at the statutory rate of 35% on our pre-tax loss of $331.0 million was primarily due to our evaluation of the ability to realize certain deferred tax assets in future periods.

Loss from Discontinued Operations

	Fiscal Year			$ Change	
(In millions)	**2011**	**2010**	**2009**	**2011 /2010**	**2010 /2009**
Loss from discontinued operations, net tax of nil	$(31.7)	$(21.8)	$(6.2)	$(9.9)	$(15.6)

Our discontinued operations consist of the WiMAX business. 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 noncancellable 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 increased loss in fiscal 2010 as compared with fiscal 2009 was primarily due to $9.9 million increases in operating expenses resulting from increase of our investments in WiMAX product development and support. The loss in fiscal 2011 also included $9.5 million impairment charges 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 July 1, 2011, our total cash and cash equivalents was $98.2 million. Approximately $33.2 million or 34% of our total cash and cash equivalents was held by entities domiciled in the United States. The remaining balance of $65.0 million or 66% was held by entities outside the United States and could be subject to additional taxation if it were to be repatriated to the United States.

As of July 1, 2011, our principal sources of liquidity consisted of the $98.2 million in cash and cash equivalents, $24.8 million of available credit under our current $40.0 million credit facility with Silicon Valley Bank, and cash collections from customers. Historically our primary sources of liquidity have been cash flows from operations, credit facilities and cash proceeds from sale of our equity securities.

Cash used in operating activities was $41.5 million in fiscal 2011 primarily due to the net loss (after non-cash item adjustments) of $35.5 million and an increase in receivables of $25.8 million, partially offset by a year-to-date increase in accounts payable and accrued expenses of $15.1 million. The increase in receivables was attributable to a year-to-year increase in billings issued in the later months of the fiscal year, deferred collection of certain letters of credit to limit factoring expenses, and a delay in collection of certain WiMAX related receivables. During the second quarter of fiscal 2011, we were able to re-negotiate longer payment terms with two of our largest contract manufacturers. The result of higher volume and more favorable payment terms increased our accounts payable balance as of the end of fiscal 2011. During fiscal 2011, we incurred $16.8 million in cash payments on restructuring liabilities related to our restructuring programs.

We expect to continue using cash in operating activities in fiscal 2012, primarily related to restructuring and winding down our WiMAX business. The use of cash in winding down our WiMAX business is primarily related to costs and associated liabilities incurred prior to the disposition of WiMAX as well as costs associated with the disposition including transition costs. We believe that our existing cash and cash equivalents, the available line of credit and future cash collections from customers will be sufficient to meet our working capital requirements for the next 12 months and the foreseeable future.

To accommodate our customers' requests in granting them credit, we regularly accept longer term letters of credit from some customers. 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.

Available Credit Facility and Repayment of Debt

As of July 1, 2011, we had $24.8 million of credit available under our $40.0 million revolving credit facility with Silicon Valley Bank as mentioned above. The total amount of revolving credit available was $40.0 million less $6.0 million in outstanding short term loans which mature by September 30, 2011, and $9.2 million in outstanding standby letters of credit issued under the facility.

The commitment of $40.0 million under the facility expires on September 30, 2011 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; and (3) the issuance of standby or commercial letters of credit. The facility contains a minimum liquidity ratio covenant and a minimum profitability covenant and is secured by the company's assets.

Based on covenants included as part of the credit facility we must maintain, as measured at the last day of each fiscal quarter, (1) no less than a minimum liquidity ratio of 2.50 to 1 (defined as the ratio of total domestic unrestricted cash and cash equivalents plus short-term and long-term marketable securities to total obligations outstanding with the bank) and (2) minimum consolidated EBITDA measured for each fiscal quarter as follows:

Period	Minimum EBITDA
Quarter ending October 1, 2010	$(18,000,000)
Quarter ending January 1, 2011	$(10,500,000)
Quarter ending April 1, 2011	$ (7,000,000)
Quarter ending July 1, 2011	(2,500,000)
Each Quarter Thereafter	$ 1,000,000

As of July 1, 2011, we were in compliance with these financial covenants.

We are currently in negotiations with Silicon Valley Bank to renew and extend the current credit facility under essentially the same terms and conditions before its expiration date of September 30, 2011. It is currently contemplated that the new facility will expire on January 30, 2014 and include a term loan provision for a two year term maturing on that date. The term loan portion of the facility will be available on a one time lump sum basis at a fixed rate of interest and provides for monthly repayment of principal and interest.

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 will be redeemed on January 30, 2012, the fifth anniversary of their issuance, at their total face value of $8.25 million.

We intend to redeem the shares with the proceeds of a long-term loan under the terms of a new credit facility being negotiated with our current lender, Silicon Valley Bank, as discussed above. For further information, please see "Note 8. Redeemable Preference Shares" in our consolidated financial statements under Item 8 in this Annual Report on Form 10-K.

Restructuring Payments

We have a liability for restructuring activities totaling $5.0 million as of July 1, 2011, $4.4 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 $8.0 million of additional charges from our restructuring activities. We expect to fund these future payments with available cash and cash flow provided by operations.

Contractual Obligations

As of July 1, 2011, we had contractual cash obligations for repayment of short-term debt and related interest, purchase obligations to acquire goods and services, payments for operating lease commitments, payments on our restructuring and severance liabilities and redemption of our preference shares and payment of the related required dividend payments.

Cash payments due under these contractual obligations are estimated as follows (in millions):

	Obligations Due by Fiscal Year					
	Total	**2012**	**2013-2014**	**2015-2016**	**After 2016**	**Other**
Short-term debt	$ 6.0	$ 6.0	$—	$—	$ —	$—
Interest on short-term debt	0.2	0.2	—	—	—	—
Purchase obligations(1)	46.5	46.5	—	—	—	—
Operating lease commitments	35.2	8.4	5.5	4.4	16.9	—
Less: sublease proceeds	(2.4)	(0.4)	(1.7)	(0.3)	—	—
Redeemable preference shares(2)	8.3	8.3	—	—	—	—
Dividend requirements on redeemable preference shares(3)	0.6	0.6	—	—	—	—
Liabilities for uncertain tax positions(4)	4.2	—	—	—	—	4.2
Total contractual cash obligations	$98.6	$69.6	$ 3.8	$ 4.1	$16.9	$ 4.2

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

(2) Assumes early redemption will occur on January 30, 2012. For further information, please see "Note 8. Redeemable Preference Shares" in our audited financial statements under Item 8 in this Annual Report on Form 10-K.

(3) The dividend rate is 12% and assumes redemption on January 30, 2012.

(4) 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.

Commercial Commitments

We have entered into commercial commitments in the normal course of business including surety bonds, standby letters of credit and other arrangements with financial institutions and insurers primarily relating to the guarantee of future performance on certain tenders and contracts to provide products and services to customers. As of July 1, 2011, we had commercial commitments on outstanding surety bonds, standby letters of credit, guarantees and other arrangements, as follows:

	Expiration of Commitments by Fiscal Year				
	Total	2012	2013	2014	After 2014
	(In millions)				
Standby letters of credit used for:					
Bids	$ 1.2	$ 1.2	$—	$—	$—
Down payments	0.7	0.6	—	—	0.1
Performance	8.1	2.5	5.3	0.3	—
Warranty	—	—	—	—	—
	10.0	4.3	5.3	0.3	0.1
Surety bonds used for:					
Bids	0.8	0.8	—	—	—
Tax and payment guarantees	8.0	2.4	—	5.6	—
Payment bonds	59.1	59.1	—	—	—
Warranty bonds	0.1	0.1	—	—	—
	68.0	62.4	—	5.6	—
Total commitments	$78.0	$66.7	$ 5.3	$ 5.9	$ 0.1

During fiscal year 2012, we expect to spend approximately $8.0 million to $9.0 million for capital expenditures.

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

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

Off-Balance Sheet Arrangements

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

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

Currently we are not participating in transactions that generate relationships with unconsolidated entities or financial partnerships, including variable interest entities, and we do not have any material retained or contingent interest in assets as defined above. As of July 1, 2011, we did not have material financial guarantees or other contractual commitments that are reasonably likely to adversely affect liquidity. In addition, we are not currently a party to any related party transactions that materially affect our results of operations, cash flows or financial condition.

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

Financial Risk Management

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

Exchange Rate Risk

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

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

Substantially all derivatives outstanding as of July 1, 2011 are designated as cash flow hedges or non-designated hedges of recorded balance sheet positions. All derivatives are recognized on the balance sheet at their fair value. The total gross notional amount of outstanding derivatives as of July 1, 2011 was $61.5 million, of which $9.4 million were designated as cash flow hedges and $52.1 million were not designated as cash flow hedging instruments.

A 10% adverse change in currency exchange rates for our foreign currency derivatives held as of July 1, 2011 would have an impact of approximately $4.3 million on the fair value of such instruments. This quantification of exposure to the market risk associated with foreign exchange financial instruments does not take into account the offsetting impact of changes in the fair value of our foreign denominated assets, liabilities and firm commitments.

As of July 1, 2011, we had 49 foreign currency forward contracts outstanding with a total net notional amount of $31.6 million consisting of 13 different currencies, primarily the Canadian dollar, Euro, Philippine peso, Polish zloty and Republic of South Africa rand. Following is a summary by currency of the contract net notional amounts grouped by the underlying foreign currency as of July 1, 2011:

	Contract Amount (Local Currency)		Contract Amount (USD)
	(In millions)		
Canadian dollar ("CAD") net contracts to receive (pay) USD	(CAD)	**3.5**	**$ 3.6**
Euro ("EUR") net contracts to receive (pay) USD	(EUR)	**10.2**	**$14.4**
Philippine peso ("PHP") net contracts to receive (pay) USD	(PHP)	**(181.1)**	**$ (4.2)**
Polish zloty ("PLN") net contracts to receive (pay) USD	(PLN)	**26.1**	**$ 9.2**
Republic of South Africa rand ("ZAR") net contracts to receive (pay) USD	(ZAR)	**37.9**	**$ 5.5**
All other currencies net contracts to receive (pay) USD			**$ 3.1**
Total of all currencies			**$31.6**

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

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

Interest Rate Risk

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

Exposure on Cash Equivalents

We had $98.2 million in total cash and cash equivalents as of July 1, 2011. Cash equivalents totaled $59.3 million as of July 1, 2011. 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 foreign country. The portfolio includes only marketable securities with active secondary or resale markets to ensure portfolio liquidity. The portfolio is also designed to ensure that funds are readily available as needed to meet our liquidity needs. This policy reduces the potential need to sell securities in order to meet liquidity needs and therefore the potential effect of changing market rates on the value of securities sold.

The primary objective of our short-term investment activities is to preserve principal while maximizing yields, without significantly increasing risk. Our cash equivalents earn interest at fixed rates; therefore, changes in interest rates will not generate a gain or loss on these investments unless they are sold prior to maturity. Actual gains and losses due to the sale of our investments prior to maturity have been immaterial. The weighted average days to maturity for cash equivalents held as of July 1, 2011 was one day, and these investments had an average yield of 0.11% 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 2011, borrowings under our previous $70 million revolving credit facility incurred interest under the London Interbank Offered Rate ("LIBOR") plus 1.50% to 2.48%. As of October 1, 2010 borrowings under this facility were repaid with the proceeds of a loan under our new $40 million credit facility, which has incurred interest at the prime rate. As of July 1, 2011, our weighted average interest rate was 3.25%. During fiscal 2011, we had between $5 million and $6 million of short-term borrowings outstanding under the credit facilities. We recorded total interest expense on these borrowings of $0.2 million during fiscal 2011. A 10% change in interest rates on the current borrowings or on future borrowings is not expected to have a material impact on our financial position, results of operations or cash flows since interest on our short-term debt is not material to our overall financial position.

Impact of Foreign Exchange

Approximately 18% of our international business was transacted in non U.S. dollar currency environments in fiscal 2010 compared with 16% in fiscal 2010. 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 July 1, 2011, the cumulative translation adjustment decreased stockholders' equity by $2.6 million compared with a decrease of $2.9 million as of July 2, 2010.

Seasonality

Our fiscal third quarter revenue and orders have historically been lower than the revenue and orders in the immediately preceding second quarter because many of our customers utilize a significant portion of their capital budgets at the end of their fiscal year, the majority of our customers begin a new fiscal year on January 1, and capital expenditures tend to be lower in an organization's first quarter than in its fourth quarter. We anticipate that this seasonality will continue. The seasonality between the second quarter and third quarter may be affected by a variety of factors, including changes in the global economy and other factors. Please refer to the section entitled "Risk Factors" in Item 1A in this Annual Report on Form 10-K.

Critical Accounting Estimates

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

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

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

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

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

The following is not intended to be a comprehensive list of all of our accounting policies or estimates. Our significant accounting policies are more fully described in "Note 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 (as amended by ASU 2009-13), based on the terms and conditions of the product arrangements, we believe that our products and services can be accounted for separately as our products and services have value to our customers on a stand-alone basis. Accordingly, services not yet performed at the time of product shipment are deferred based on their relative selling price and recognized as revenue as such services are performed. The relative selling price of any undelivered products is also deferred at the time of shipment and recognized as revenue when these products are delivered. There is generally no customer right of return in our sales agreements. The sequence for typical multiple element arrangements: we deliver our products, perform installation services and then provide post-contract support services. The new revenue recognition standards do not generally change the units of accounting for our revenue transactions.

Vendor-specific objective evidence ("VSOE") of fair value is based on the price charged when the element is sold separately. Under the new accounting standards, for multiple element arrangements, if VSOE cannot be established, we establish, where available, the selling price based on 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 with the intent to complete all activity transfer by the end of fiscal 2011. 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 2011, 2010 and 2009, we recorded charges to reduce the carrying value of our inventories to the lower of cost or market totaling $14.5 million, $29.6 million and $23.1 million, respectively. Such charges equaled 3.2%, 6.4%, and 3.4% of our revenue in fiscal 2011, 2010 and 2009, 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 year, 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 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.

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

Evaluations of impairment involve management estimates of asset useful lives, future cash flows and discount rates. Significant management judgment is required in the forecasts of future operating results that are used in the evaluations. It is possible, however, that the plans and estimates used may prove to be inaccurate. If our actual results, or the plans and estimates used in future impairment analysis, are lower than the original estimates used to assess the recoverability of these assets, we could incur additional impairment charges in a future period. For example, we recorded impairment charges of $63.2 million for identifiable intangible assets in fiscal 2010 and impairment charges of $279.0 million for goodwill and $32.6 million for the Stratex trade name in fiscal 2009.

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. We have accounted for taxes on income in our most significant international jurisdiction, Singapore, using a favorable tax rate that has been negotiated with the Singapore government for a duration of five years. This negotiated favorable tax rate is based on us meeting certain benchmarks. Due to the tax losses in Singapore, we did not realize any tax benefits in Singapore during the current year. We are currently in negotiation with EDB in amending the tax ruling. Also, because certain temporary differences will be realized during this tax holiday period and other temporary differences are anticipated to reverse outside of this period, we are required to estimate the appropriate tax rate to use in measuring deferred taxes. That estimate is based upon the best available information at each reporting period.

We 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

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

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

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

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

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Aviat Networks, Inc. as of July 1, 2011 and July 2, 2010, 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 July 1, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aviat Networks, Inc. at July 1, 2011 and July 2, 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended July 1, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, in the year ended July 2, 2010, Aviat Networks, Inc. changed its method of accounting for revenue recognition for arrangements with multiple deliverables.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Aviat Networks, Inc.'s internal control over financial reporting as of July 1, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 12, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Redwood City, California
September 12, 2011

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 July 1, 2011, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Aviat Networks, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Aviat Networks, Inc. maintained, in all material respects, effective internal control over financial reporting as of July 1, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Aviat Networks, Inc. as of July 1, 2011 and July 2, 2010, 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 July 1, 2011 of Aviat Networks, Inc. and our report dated September 12, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Redwood City, California
September 12, 2011

AVIAT NETWORKS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Years Ended		
	July 1, 2011	July 2, 2010	July 3, 2009
	(In millions, except per share amounts)		
Revenues:			
Revenue from product sales	$357.5	$ 356.6	$ 537.0
Revenue from services	94.6	108.9	140.9
Total revenues	452.1	465.5	677.9
Cost of revenues:			
Cost of product sales	252.3	236.1	360.7
Cost of services	71.0	72.5	106.2
Charges for product transition	—	16.9	29.8
Amortization of purchased technology	0.7	7.2	7.1
Total cost of revenues	324.0	332.7	503.8
Gross margin	128.1	132.8	174.1
Operating expenses			
Research and development expenses	40.5	31.1	36.4
Selling and administrative expenses	104.0	134.7	135.9
Amortization of identifiable intangible assets	2.8	5.0	5.5
Acquired in-process research and development	—	—	2.4
Property, plant and equipment impairment charges	—	8.7	3.2
Intangible assets and trade name impairment charges	—	57.7	32.6
Goodwill impairment charges	—	—	279.0
Restructuring charges	15.4	7.1	8.2
Total operating expenses	162.7	244.3	503.2
Operating loss	(34.6)	(111.5)	(329.1)
Loss on sale of NetBoss assets	(4.6)	—	—
Other income (loss), net	(3.6)	1.2	—
Interest income	0.3	0.3	0.9
Interest expense	(2.2)	(2.2)	(2.8)
Loss from continuing operations before income taxes	(44.7)	(112.2)	(331.0)
Provision for (benefit from) income taxes	14.1	(3.8)	17.8
Loss from continuing operations	(58.8)	(108.4)	(348.8)
Loss from discontinued operations, net of tax	(31.7)	(21.8)	(6.2)
Net loss	$ (90.5)	$(130.2)	$(355.0)
Per share data: (1)			
Basic and diluted loss per common share from continuing operations	$ (1.00)	$ (1.82)	$ (5.94)
Basic and diluted loss per common share from discontinued operations	$ (0.54)	$ (0.37)	$ (0.11)
Basic and diluted net loss per common share	$ (1.54)	$ (2.19)	$ (6.05)
Basic and diluted weighted average shares outstanding	58.6	59.4	58.7

(1) In fiscal year 2009, we had Class A and Class B shares of common stock outstanding. The net loss per common share amounts were the same for Class A and Class B during fiscal year 2009 because the holders of each class were legally entitled to equal per share distributions whether through dividends or in liquidation. There were no shares of Class B common stock outstanding during fiscal years 2011 and 2010. 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.

See accompanying Notes to Consolidated Financial Statements

AVIAT NETWORKS, INC.

CONSOLIDATED BALANCE SHEETS

	July 1, 2011	July 2, 2010
	(In millions, except share and par value amounts)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 98.2	$ 141.7
Receivables, net	133.0	104.8
Unbilled costs	24.8	30.2
Inventories	50.6	65.9
Customer service inventories	21.2	10.8
Deferred income taxes	0.8	—
Other current assets	21.7	33.1
Total current assets	350.3	386.5
Long-Term Assets		
Property, plant and equipment, net	21.6	23.7
Goodwill	5.6	6.2
Identifiable intangible assets, net	4.1	7.5
Deferred income taxes	0.7	13.1
Other assets	1.6	10.0
Total long-term assets	33.6	60.5
Total assets	$ 383.9	$ 447.0
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term debt	$ 6.0	$ 5.0
Accounts payable	70.3	58.6
Accrued compensation and benefits	11.1	14.5
Redeemable preference shares	8.3	—
Other accrued expenses	50.3	45.3
Advance payments and unearned income	45.8	37.2
Deferred income taxes	0.9	—
Restructuring liabilities	4.4	6.0
Total current liabilities	197.1	166.6
Long-Term Liabilities		
Restructuring and other long-term liabilities	3.5	2.7
Redeemable preference shares	—	8.3
Reserve for uncertain tax positions	4.2	5.6
Deferred income taxes	1.4	0.6
Total Liabilities	206.2	183.8
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, $0.01 par value; 50,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value; 300,000,000 shares authorized; issued and outstanding 60,611,561shares as of July 1, 2011 and 59,400,059 shares as of July 2, 2010	0.6	0.6
Additional paid-in-capital	791.6	786.5
Accumulated deficit	(611.8)	(521.3)
Accumulated other comprehensive loss	(2.7)	(2.6)
Total Stockholders' Equity	177.7	263.2
Total Liabilities and Stockholders' Equity	$ 383.9	$ 447.0

See accompanying Notes to Consolidated Financial Statements

Annual Report

AVIAT NETWORKS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Years Ended		
	July 1, 2011	July 2, 2010	July 3, 2009
	(In millions)		
Operating Activities			
Net loss	$ (90.5)	$(130.2)	$(355.0)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Amortization of identifiable intangible assets	3.4	13.8	13.8
Depreciation and amortization of property, plant and equipment and capitalized software	8.6	20.0	22.1
Goodwill impairment charges	—	—	279.0
Intangible asset impairment charges	—	63.2	32.6
Property, plant and equipment impairment charges	—	7.9	—
Acquired in-process research and development	—	—	2.4
Non-cash share-based compensation expense	4.8	3.2	2.8
Deferred income tax expense (benefit)	11.0	4.2	16.0
Charges for product transition and inventory mark-downs	20.2	13.5	29.3
Loss on held for sale assets, net	9.5	—	—
Loss on sale of NetBoss assets	4.6	—	—
Other	—	(1.2)	(0.6)
Changes in operating assets and liabilities:			
Receivables	(25.8)	38.5	61.1
Unbilled costs	5.5	2.4	(9.3)
Inventories	(6.4)	12.2	(0.3)
Customer service inventories	(10.9)	(3.1)	(1.6)
Accounts payable	11.5	(11.0)	(11.5)
Accrued expenses	3.8	(9.1)	(7.2)
Advance payments and unearned income	8.5	(0.1)	7.2
Income taxes payable or receivable	(1.9)	—	—
Restructuring liabilities and other assets and liabilities	2.6	(0.9)	(13.3)
Net cash provided by (used in) operating activities	(41.5)	23.3	67.5
Investing Activities			
Cash received from sale of NetBoss assets	3.8	—	—
Cash payments for business acquisition, net	—	(4.2)	(4.3)
Proceeds from sale of property, plant and equipment	—	5.4	—
Sales and maturities of short-term investments	—	0.3	4.0
Purchases of short-term investments	—	—	(1.2)
Additions of property, plant and equipment	(7.2)	(12.9)	(12.0)
Additions of capitalized software	(0.8)	(2.9)	(5.8)
Net cash used in investing activities	(4.2)	(14.3)	(19.3)
Financing Activities			
Proceeds from short-term debt arrangement	6.0	6.3	10.0
Payments on short-term debt arrangement	(5.0)	(11.3)	—
Proceeds from long-term debt arrangement	—	—	(9.8)
Proceeds from share-based compensation awards	0.2	0.1	—
Payments on capital lease obligations	—	(0.4)	(1.3)
Net cash provided by (used in) financing activities	1.2	(5.3)	(1.1)
Effect of exchange rate changes on cash and cash equivalents	1.0	1.2	(5.3)
Net increase (decrease) in cash and cash equivalents	(43.5)	4.9	41.8
Cash and cash equivalents, beginning of year	141.7	136.8	95.0
Cash and cash equivalents, end of year	$ 98.2	$ 141.7	$ 136.8
Supplemental disclosure of cash flow information:			
Cash paid (received) during the year for:			
Interest	$ 2.2	$ 2.2	$ 2.8
Income taxes	$ (2.7)	$ (3.6)	$ 2.6

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 Class B Shares	Common Stock	Common Stock Class A	Common Stock Class B	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Stockholders' Equity
						(In millions)				
Balance as of June 27, 2008	—	25.6	32.9	$—	$ 0.3	$ 0.3	$779.9	$ (36.1)	$ 3.8	$ 748.2
Net loss	—	—	—	—	—	—	—	(355.0)	—	(355.0)
Foreign currency translation loss	—	—	—	—	—	—	—	—	(8.5)	(8.5)
Net unrealized loss on hedging activities	—	—	—	—	—	—	—	—	(0.1)	(0.1)
Comprehensive loss										(363.6)
Adjustment to capital from Harris Corporation	—	—	—	—	—	—	0.5	—	—	0.5
Issuance of stock related to employee share-based awards	—	0.4	—	—	—	—	—	—	—	—
Conversion of Class B shares to Class A shares	—	32.9	(32.9)	—	0.3	(0.3)	—	—	—	—
Share-based compensation	—	—	—	—	—	—	2.8	—	—	2.8
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 gain	—	—	—	—	—	—	—	—	1.5	1.5
Net unrealized gain on hedging activities	—	—	—	—	—	—	—	—	0.7	0.7
Comprehensive loss										(128.0)
Reclassification of Class A shares to Common Stock	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 loss	—	—	—	—	—	—	—	—	(0.3)	(0.3)
Net unrealized loss 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

See accompanying Notes to Consolidated Financial Statements

AVIAT NETWORKS, INC.

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 products, solutions and services to mobile and fixed telephone service providers, private network operators, government agencies, transportation and utility companies, public safety agencies and broadcast system operators across the globe. Our products include broadband wireless access base stations and customer premises equipment 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 July 1 for fiscal 2011, July 2 for fiscal 2010 and July 3 for fiscal 2009. Fiscal year 2009 included 53 weeks and fiscal years 2011 and 2010 each included 52 weeks. In these notes to consolidated financial statements, we refer to our fiscal years as "fiscal 2011," "fiscal 2010" and "fiscal 2009."

Reclassifications

Beginning in the third quarter of fiscal 2011, the results of the WiMAX business are presented as discontinued operations in our consolidated financial statements. Historical amounts prior to fiscal 2011 are reclassified to conform to current period presentation. See Note 2 for a discussion of changes in reporting related to our discontinued operations.

In the fourth quarter of fiscal 2011, we reclassified customer service parts, previously reported as a component of property, plant and equipment, as customer service inventories. Accordingly, expenses related to customer service inventories of $1.9 million and $2.2 million for the years ended July 2, 2010 and July 3, 2009, respectively, have been reclassified in the consolidated statements of cash flows from depreciation and amortization to changes in customer service inventories within the cash flows from operating activities section. In addition, the purchases of $5.0 million and $3.8 million of customer service inventories in fiscal 2010 and 2009, respectively, have been reclassified from investing activities to operating activities in the consolidated statements of cash flows.

Use of Estimates

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

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

Cash, Cash Equivalents and Short-Term Investments

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

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

As of July 1, 2011 and July 2, 2010, 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 2011, 2010 and 2009.

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.

To comply with requests from our customers for longer payment terms, we may accept letters of credit with 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. During fiscal 2011, 2010 and 2009 we discounted customer letters of credit totaling $80.6 million, $91.1 million and $84.7 million, respectively, and recorded related interest expense of $0.4 million, $0.7 million and $1.0 million, respectively.

During fiscal 2011, 2010 and 2009, we had one International segment customer in Africa (Mobile Telephone Networks or MTN) that accounted for 14%, 17% and 17%, respectively, of our total revenue. As of July 1, 2011 and July 2, 2010, MTN accounted for approximately 8% and 7%, 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, certificates of deposit, commercial paper and corporate notes. 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 (determined by average cost and first-in, first-out methods) or market. We regularly review inventory quantities on hand and record adjustments to reduce the cost of inventory for excess and obsolete inventory based primarily on our estimated forecast of product demand and production requirements. Inventory adjustments are measured as the difference between the cost of the inventory and estimated market value based upon assumptions about future demand and charged to the provision for inventory, which is a component of cost of sales. At the point of the loss recognition, a new, lower-cost basis for that inventory is established, and any subsequent improvements in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

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 developed for internal use	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 the gain or loss is reflected in the consolidated statements of operations.

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

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

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

We have two reporting units, consisting of our North America segment and International segment. 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.

Capitalized Software

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

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

Total amortization expense related to capitalized software was $1.0 million, $2.8 million and $3.4 million in fiscal 2011, 2010 and 2009, respectively. Unamortized capitalized software was $1.2 million and $9.8 million as of July 1, 2011 and July 2, 2010, respectively.

Other Accrued Expenses and Other Assets

No accrued liabilities or expenses within other accrued expenses on our consolidated balance sheets exceed 5% of our total current liabilities as of July 1, 2011 or as of July 2, 2010. Other accrued expenses on our consolidated balance sheets primarily includes accruals for sales commissions, warranties and severance. No current assets other than those already disclosed on the consolidated balance sheets exceed 5% of our total current assets as of July 1, 2011 or as of July 2, 2010. No assets within the caption "Other assets" on the consolidated balance sheets exceed 5% of total assets as of July 1, 2011 or as of July 2, 2010.

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.

Our software license agreements generally include certain provisions for indemnifying customers against liabilities should our software products infringe a third party's intellectual property rights. As of July 1, 2011, we had not incurred any material costs as a result of such indemnification and have not accrued any liabilities related to such obligations in our consolidated financial statements.

Operating Leases

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

Contingent Liabilities

We have unresolved legal and tax matters, as discussed further in "Note 12. Income Taxes" and "Note 15. Legal Proceedings". We record a loss contingency as a charge to operations when (i) it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements; and (ii) the amount of the loss can be reasonably estimated. Disclosure in the notes to the financial statements is required for loss contingencies that do not meet both those conditions if there is a reasonable possibility that a loss may have been incurred. Gain contingencies are not recorded until realized. We expense all legal costs incurred to resolve regulatory, legal and tax matters as incurred.

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

Foreign Currency Translation

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

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

Gains and losses resulting from foreign exchange transactions and translation of monetary assets and liabilities in non-functional currencies are included in cost of product sales and services in the accompanying consolidated statements of operations. Net foreign exchange (losses) gains recorded in our consolidated statements of operations during fiscal 2011, 2010 and 2009 totaled $(2.6) million, $0.3 million and $(7.4) million, respectively.

Retirement Benefits

As of July 1, 2011, 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 $3.3 million, $2.8 million and $2.7 million in fiscal 2011, 2010 and 2009, respectively.

Financial Guarantees, Commercial Commitments and Indemnifications

Guarantees issued by banks, insurance companies or other financial institutions are contingent commitments issued to guarantee our performance under borrowing arrangements, such as bank overdraft facilities, tax and customs obligations and similar transactions or to ensure our performance under customer or vendor contracts. The terms of the guarantees are generally equal to the remaining term of the related debt or other obligations and are generally limited to two years or less. As of July 1, 2011, we had no guarantees applicable to our debt arrangements. We have entered into commercial commitments in the normal course of business including surety bonds, standby letters of credit agreements and other arrangements with financial institutions primarily relating to the guarantee of future performance on certain contracts to provide products and services to customers. As of July 1, 2011, we had commercial commitments of $78.0 million outstanding, none of which are accrued for in our consolidated balance sheets.

Under the terms of substantially all of our license agreements, we have agreed to defend and pay any final judgment against our customers arising from claims against such customers that our software products infringe the intellectual property rights of a third party. To date we have not received any notice that any customer is subject to an infringement claim arising from the use of our software products; we have not received any request to defend any customers from infringement claims arising from the use of our software products; and we have not paid any final judgment on behalf of any customer related to an infringement claim arising from the use of our software products. Because the outcome of infringement disputes are related to the specific facts in each case, and given the lack of previous or current indemnification claims, we cannot estimate the maximum amount of potential future payments, if any, related to our indemnification provisions. As of July 1, 2011, we had not recorded any liabilities related to these indemnifications.

Revenue Recognition

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

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

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

In October 2009, the FASB issued ASC Update ("ASU") No. 2009-13, *Multiple-Deliverable Revenue Arrangements* ("ASU 2009-13"). ASU 2009-13 provides for three significant changes to the existing multiple element revenue recognition guidance as follows:

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

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

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

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

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

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

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.

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

Some of our products have both software and non-software components that function together to deliver the product's essential functionality. We previously determined that the software element in our products was 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*.

The impact of adopting ASU 2009-13 and ASU 2009-14 did not have a material impact on any amounts previously reported. We believe that the new guidance significantly improves the reporting of these types of transactions to more closely reflect the underlying economics of the transactions. We cannot reasonably estimate the effect of adopting ASU 2009-13 and ASU 2009-14 on future financial periods as the impact will vary depending on the nature and volume of new or materially modified arrangements in any given period.

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

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

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

Cost of Product Sales and Services

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

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

Presentation of Transactional Taxes Collected from Customers and Remitted to Government Authorities

We present transactional taxes (e.g., sales 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 assumed stock options from the Stratex acquisition. We estimate the grant date fair value of our share-based awards and amortize this fair value to compensation expense over the requisite service period or vesting term.

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

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

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

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

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 fiscal 2011, fiscal 2010 and fiscal 2009. In accordance with 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 a result of the company's net loss in fiscal 2011, fiscal 2010 and fiscal 2009, the computation of diluted net loss per share for these periods excluded all potential common stock equivalents outstanding as their effect was anti-dilutive. Accordingly, our basic and diluted net loss per share amounts are the same.

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

Segment Information

We have two business segments: North America and International. Our Chief Executive Officer is the Chief Operating Decision-Maker (the "CODM"). Resources are allocated to each of these segments using information based primarily on their operating income (loss). Operating income (loss) is defined as revenue less cost of product sales and services, engineering, selling and administrative expenses, restructuring charges, acquired in-process research and development, impairments and amortization of identifiable intangible assets. General corporate expenses are allocated to the North America and International segments based on revenue. Information related to assets, capital expenditures and depreciation and amortization for the operating segments is not part of the discrete financial information provided to and reviewed by the CODM for this purpose.

Recently Issued Accounting Standards

In June 2011, the FASB issued an accounting standards update on the presentation of comprehensive income. This update eliminates one of the presentation options provided by current U.S. GAAP, that is to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. In addition, it gives an entity the option 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 update is to be applied retrospectively and is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2011, which for us is our fiscal 2013. The adoption of this update will not impact our consolidated financial position or results of operations. We are currently evaluating the disclosure impact of the adoption of this guidance on our consolidated financial statements.

In December 2010, the FASB issued ASU No. 2010-28, Topic 350, " Intangibles — Goodwill and Other: When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts" ("ASU 2010-28"), which modifies Step 1 of the goodwill impairment test for reporting units with zero or negative amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that goodwill impairment exists. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010, which for us is our fiscal 2012. We do not expect that the adoption of ASU 2010-28 will have a material impact on our consolidated financial position or results of operations.

Note 2. Acquisitions and Divestures

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

The Telsima acquisition was accounted for as a purchase business combination and we recorded a total of $6.2 million of goodwill resulting from the purchase price allocation. 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 and we engaged an investment bank to market the sale of WiMAX business. In making the decision, we considered WiMAX business' history of operating losses, lower than anticipated sales volume and additional investment required to achieve competitive technology, product functionality and manufacturing costs and to increase selling, marketing and distribution efforts. This decision resulted from an effort to complete the strategic plan to streamline our business activities and focus our time and resources on growing our core microwave business to better position us for long-term success. The sale of WiMAX business was completed on September 2, 2011.

From the third quarter of fiscal 2011, we began accounting for WiMAX business as a discontinued operation. We have reclassified WiMAX business' operating results for all prior periods presented to loss from discontinued operations in our consolidated statements of operations. We also classified the assets and liabilities of WiMAX business as held for sale, and, accordingly, included WiMAX business' assets in other current assets, and the related liabilities in other accrued expenses on our condensed consolidated balance sheets as of July 1, 2011 and July 2, 2010.

In conjunction with the reclassification of WiMAX business as a discontinued operation, a $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. As of July 1, 2011, the net assets of the WiMAX business have been adjusted to their estimated fair value less cost of disposition. WiMAX business' assets and liabilities included the following as of July 1, 2011 and July 2, 2010:

	July 1, 2011	July 2, 2010
Assets held for sale:		
Inventories, net	$ 7.0	$ 7.6
Equipment	1.5	3.1
Valuation allowance	(8.5)	—
	$—	$10.7
Liabilities related to assets held for sale:		
Accrued liabilities	$ 0.3	$ —

The following table includes WiMAX business' operating results, which were historically included in our International segment:

	Fiscal Year Ended		
	July 1, 2011	July 2, 2010	July 3, 2009
	(In millions)		
Revenues	$ 20.6	$ 13.4	$ 2.0
Loss from discontinued operations, net of tax of zero	$(31.7)	$(21.8)	$(6.2)

Sale of NetBoss Assets

In September 2010, we sold our NetBoss assets, consisting of internally-developed intellectual property and certain equipment, to 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

The changes in the carrying amount of goodwill by segment were as follows:

	North America	International	Total
		(In millions)	
Balance as of July 3, 2009	$—	$ 3.2	$ 3.2
Telsima purchase accounting adjustments	—	3.0	3.0
Balance as of July 2, 2010	—	$ 6.2	$ 6.2
Goodwill allocated to WiMAX business	—	(0.6)	(0.6)
Balance as of July 1, 2011	$—	$ 5.6	$ 5.6

As a result of the acquisition of Telsima on February 27, 2009, we recorded goodwill of $3.2 million in fiscal 2009, and recorded an additional $3.0 million of goodwill as purchase price adjustments in fiscal 2010. To test for potential impairment of our goodwill, we determined the fair value of each of our reporting segments based on projected discounted cash flows and market-based multiples applied to sales and earnings. In fiscal 2010, the results indicated that the estimated fair value of the International segment (the only reporting unit with goodwill) exceeded its corresponding carrying amount including recorded goodwill, and as such, no impairment existed.

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 related to our International segment, and determined that there was no impairment as of July 1, 2011.

Identifiable Intangible Assets

A summary of our identifiable intangible assets is presented below (in millions except as indicated):

	Purchased Technology	Trade_ Names	Customer Relationships	Total Identifiable Intangible Assets
Net identifiable intangible assets as of July 3, 2009	$ 59.3	$ 5.8	$ 19.0	$ 84.1
Less: amortization expense	(8.2)	(2.6)	(3.0)	(13.8)
Impairment charge	(49.5)	—	(13.7)	(63.2)
Reclassification of tax adjustments	—	0.4	(0.4)	—
Foreign currency translation	0.4	—	—	0.4
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
Amortization expenses:				
Fiscal 2011	$ 0.7	$ 2.3	$ 0.4	$ 3.4
Fiscal 2010	$ 8.2	$ 2.6	$ 3.0	$ 13.8
Fiscal 2009	$ 8.1	$ 2.3	$ 3.3	$ 13.7
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 a potential impairment of 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 July 1, 2011, we estimate our future amortization of identifiable intangible assets with definite lives by year as follows:

Fiscal Year	Amount (In millions)
2012	$2.3
2013	1.0
2014	0.4
2015	0.4
	$4.1

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Note 4. Accumulated Other Comprehensive Income (Loss)

The changes in components of our accumulated other comprehensive income (loss) during fiscal 2011, 2010 and 2009 are as follows:

	Foreign Currency Translation Adjustment (“CTA”)	Hedging Derivatives	Total Accumulated Other Comprehensive (Loss) Income
Balance as of June 27, 2008	$ 4.1	$(0.3)	$ 3.8
Foreign currency translation loss	(8.5)	—	(8.5)
Net unrealized loss on hedging activities	—	(0.1)	(0.1)
Balance as of July 3, 2009	(4.4)	(0.4)	(4.8)
Foreign currency translation 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 of 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)

Note 5. Balance Sheet Components

Receivables

Our receivables are summarized below:

	July 1, 2011	July 2, 2010
	(In millions)	
Accounts receivable	$143.2	$113.6
Notes receivable due within one year	4.0	4.5
	147.2	118.1
Less allowances for collection losses	(14.2)	(13.3)
	$133.0	$104.8

Inventories

Our inventories are summarized below:

	July 1, 2011	July 2, 2010
	(In millions)	
Finished products	$41.4	$53.1
Work in process	6.5	8.0
Raw materials and supplies	2.7	4.8
	$50.6	$65.9

During fiscal 2011, 2010 and 2009, we recorded charges to adjust our inventory to the lower of cost or market totaling $14.5 million, $29.6 million and $23.1 million, respectively. Such charges were 3.2%, 6.4% and 3.4% of our revenue for fiscal 2011, 2010 and 2009, respectively. These charges were primarily due to excess and obsolete inventory resulting from product transitioning and discontinuance.

Property, Plant and Equipment

Our property, plant and equipment are summarized below:

	July 1, 2011	July 2, 2010
	(In millions)	
Land	$ 0.7	$ 0.7
Buildings and leasehold improvements	10.1	9.8
Software developed for internal use	6.7	6.4
Machinery and equipment	45.1	46.5
	62.6	63.4
Less accumulated depreciation and amortization	(41.0)	(39.7)
	$ 21.6	$ 23.7

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

During fiscal 2009, we recorded a $3.2 million impairment of software developed for internal use and a $7.2 million impairment of machinery and equipment related to our product transitioning activities. We also recorded a $2.4 million impairment of a building used in manufacturing that we classified as property held for sale. The machinery, equipment and building impairments were included in "Charges for product transition" within "Cost of products sales and services" on our Consolidated Statement of Operations and the software is included in "Property, plant and equipment impairment charges" on our Consolidated Statement of Operations.

Depreciation and amortization expense related to property, plant and equipment, including amortization of software developed for internal use, was $8.6 million, $20.0 million and $22.1 million, respectively, in fiscal 2011, 2010 and 2009.

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 July 1, 2011 and July 2, 2010 are as follows:

	Fiscal Year Ended	
	July 1, 2011	July 2, 2010
	(In millions)	
Balance as of the beginning of the fiscal year	$ 3.2	$ 5.5
Warranty provision for revenue recorded during the period	2.5	0.9
Settlements made during the period	(2.9)	(3.2)
Balance as of the end of the period	$ 2.8	$ 3.2

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 financial assets and financial liabilities as of July 1, 2011 and July 2, 2010 are as follows:

	July 1, 2011		July 2, 2010		
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Valuation Inputs
			(In millions)		
Financial Assets:					
Cash	$38.9	$38.9	$60.4	$60.4	Level 1
Cash equivalents	$59.3	$59.3	$81.3	$81.3	Level 1
Foreign exchange forward contracts	$ 0.2	$ 0.2	$ 0.1	$ 0.1	Level 2
Financial Liabilities:					
Short-term debt	$ 6.0	$ 6.0	$ 5.0	$ 5.0	Level 2
Redeemable preference shares	$ 8.3	$ 8.3	$ 8.3	$ 8.3	Level 3
Foreign exchange forward contracts	$ 0.1	$ 0.1	$ 0.1	$ 0.1	Level 2

We classify investments within Level 1 if quoted prices are available in active markets. Level 1investments generally include U.S. Treasuries, trading securities with quoted prices on active markets, and money market funds. Our cash equivalents consist primarily of shares in prime money market funds purchased from two major financial institutions. As of July 1, 2011, 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 and short-term debt are classified within Level 2. We determine the fair value of these instruments by considering the estimated amount we would pay or receive to terminate these agreements at the reporting date. We use observable inputs, including quoted prices in active markets for similar assets or liabilities.

We classify items in Level 3 if the investments are valued based on unobservable inputs in the market. We have valued our redeemable preference shares at face value as of July 1, 2011 and July 2, 2010 due to the existence of a put option one of the holders has with our former majority stockholder Harris, our agreement with Harris to redeem these shares on January 30, 2012 in exchange for their reimbursement of the premium payable, and the non-existence of a market for comparable financial instruments. See Note 8 to the financial statements for further information on the early redemption of these shares.

As a result of our fiscal 2010 annual impairment review, we determined the carrying value of certain identifiable intangible assets and property, plant and equipment was no longer recoverable. Our assessment of the fair value of these assets considered forecasted cash flows (Level 3 valuation inputs). The carrying value of our identifiable intangible assets was reduced to $7.5 million and property, plant and equipment was reduced to $37.6 million.

Note 7. Credit Facility and Debt

Our outstanding debt consisted of short-term debt of $6.0 million as of July 1, 2011 compared to $5.0 million as of July 2, 2010.

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 for a term of one year expiring on September 30, 2011. The outstanding debt of $5.0 million under the previous credit facility was repaid 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. Our current credit facility provides for a committed amount of $40.0 million. The facility provides for (1) demand borrowings (with no stated maturity date); (2) fixed term Eurodollar loans for up to six months; and (3) the issuance of standby or commercial letters of credit.

Demand borrowings carry an interest rate computed at the daily prime rate as published in the *Wall Street Journal*, which was 3.25% as of July 1, 2011. Interest on Eurodollar loans are 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 ending October 1, 2010 and is adjustable quarterly thereafter based on the computed actual leverage ratio for the most recently completed fiscal quarter. The facility contains a minimum liquidity ratio covenant and a minimum profitability covenant. As of July 1, 2011, we were in compliance with these financial covenants. Certain of our assets, including accounts receivable, inventory, and equipment, are pledged as collateral for the credit facility.

Available credit as of July 1, 2011 was $24.8 million reflecting borrowings of $6.0 million and outstanding letters of credit of $9.2 million. The weighted average interest rate on our short-term borrowings was 3.25% as of July 1, 2011.

We also have an uncommitted short-term line of credit of $0.4 million from a bank in New Zealand to support the operations of our subsidiary located there. This line of credit provides for $0.2 million in short-term advances at various interest rates, all of which was available as of July 1, 2011. The line of credit also provides for the issuance of standby letters of credit and company credit cards, of which $0.2 million was outstanding as of July 1, 2011. This facility may be terminated upon notice, is reviewed annually for renewal or modification, and is supported by a corporate guarantee.

Note 8. Redeemable Preference Shares

During fiscal 2007, our Singapore subsidiary issued 8,250 redeemable preference shares to the U.S. parent company which, in turn, sold the shares to two unrelated investment companies at par value for total sale proceeds of $8.25 million. Upon original issuance in fiscal 2007, our former majority stockholder Harris guaranteed redemption of these preference shares directly with these two unrelated investment companies through the existence of put option arrangements. During May 2009, one of these unrelated investment companies exercised a put option with Harris and sold its entire interest in 3,250 redeemable preference shares at face value to Harris. Accordingly, Harris owns this partial interest in our redeemable preference shares outstanding as of July 1, 2011.

These redeemable preference shares represent less than a 1% interest in our Singapore subsidiary. The redeemable preference shares have an automatic redemption date of January 2017, which is 10 years from the date of issue. Preference dividends are cumulative and payable quarterly in cash at the rate of 12% per annum. The holders of the redeemable preference shares have liquidation rights in priority of all classes of capital stock of our Singapore subsidiary. The holders of the redeemable preference shares do not have any other participation in, or rights to, our profits, assets or capital shares, and do not have rights to vote as a stockholder of the Singapore subsidiary unless the preference dividend or any part thereof is in arrears and has remained unpaid for at least 12 months after it has been declared. During fiscal 2011, 2010 and 2009, preference dividends totaling

$1.0 million in each fiscal year were recorded as interest expense in the accompanying consolidated statements of operations.

Our Singapore subsidiary has the right at any time after 5 years from the issue date to redeem, in whole or in part, the redeemable preference shares at 100% to 105% of the issue price depending on the redemption date.

As of July 2, 2010, we classified the redeemable preference shares as a long-term liability due to the mandatory redemption provision 10 years from issue date and our intention at that time not to redeem the shares before the mandatory redemption date. 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, January 30, 2012, at the stated redemption amount of 105% of their face value. In consideration for the early redemption, Harris has 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, as of July 1, 2011, these shares were classified as a current liability.

Note 9. Restructuring Activities

Fiscal 2011 Plan

During the first quarter of fiscal 2011, we initiated a restructuring plan to reduce our operational costs (the "Fiscal 2011 Plan"). 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 2011, estimated additional costs to be incurred and estimated total costs expected to be incurred under the Fiscal 2011 Plan (in millions):

	Total Costs Incurred During Fiscal Year Ended July 1, 2011	Estimated Additional Costs to be Incurred	Total Restructuring Costs Expected to be Incurred
North America:			
Severance and benefits	$ 7.7	$4.7	$12.4
Facilities and other	2.2	1.8	4.0
	$ 9.9	$6.5	$16.4
International:			
Severance and benefits	$ 2.8	$1.2	$ 4.0
Facilities and other	—	0.3	0.3
	$ 2.8	$1.5	$ 4.3
Totals for Fiscal 2011 Plan	$12.7	$8.0	$20.7

During fiscal 2011, our severance and benefits charges under the Fiscal 2011 Plan for North America segment 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 segment 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.

We expect to incur further costs to complete the initiatives of the Fiscal 2011 Plan which include a variety of activities to further align our cost structure with demands of the marketplace.

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.

The following table summarizes our costs incurred during fiscal 2011, 2010 and 2009 and through July 1, 2011 and estimated total costs expected to be incurred under the Fiscal 2009 Plan (in millions):

	Total Costs Incurred During Fiscal Year Ended			Cumulative and Total Costs Incurred Through	Total Restructuring Costs Expected
	July 1, 2011	July 2, 2010	July 3, 2009	July 1, 2011	to be Incurred
North America:					
Severance and benefits	$ 1.6	$2.8	$ 4.8	$ 9.2	$ 9.2
Facilities and other	0.2	2.3	0.3	2.8	2.8
	$ 1.8	$5.1	$ 5.1	$12.0	$12.0
International:					
Severance and benefits	$ 0.9	$1.8	$ 3.1	$ 5.8	$ 5.8
Facilities and other	—	0.2	—	0.2	0.2
	$ 0.9	$2.0	$ 3.1	$ 6.0	$ 6.0
Totals for Fiscal 2009 Plan	$ 2.7	$7.1	$ 8.2	$18.0	$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.

During fiscal 2009, our net restructuring charges related to the Fiscal 2009 Plan consisted primarily of severance, retention and related charges associated with reduction in force activities worldwide, and impairment of fixed assets and facility restoration costs at our Canadian location.

Annual Report

Restructuring Liabilities

The information in the following table summarizes our restructuring activities during fiscal 2011 and restructuring liability as of July 1, 2011:

	Severance and Benefits	Facilities and Other	Total
		(In millions)	
Restructuring liability as of June 27, 2008	$ 1.8	$ 8.5	$ 10.3
Provision related to Fiscal 2009 Plan	7.9	0.3	8.2
Reversal of accrual related to changes in estimates for Fiscal 2007 Plans	(0.2)	(0.2)	(0.4)
Non-cash charges related to Fiscal 2009 Plan	—	(0.4)	(0.4)
Cash payments	(7.0)	(2.9)	(9.9)
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
Current portion of restructuring liability as of July 1, 2011			$ 4.4
Long-term portion of restructuring liability as of July 1, 2011			0.6

Note 10. Stockholders' Equity

Stock Incentive Programs

2007 Stock Equity Plan

As of July 1, 2011, we had one stock incentive plan for our employees and outside directors, the 2007 Stock Equity Plan, as amended and restated effective November 19, 2009 (the "2007 Stock 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, 25% two years from the grant date and 25% three years from the grant date or one-third annually over a three year period from date of grant. Stock options are issued to directors annually and generally cliff vest (i.e. vest in full) one year from grant date.

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 Long-Term Incentive Plans ("LTIPs") and our Product Development Incentive Plans ("PDIPs"). Vesting of performance share awards under our LTIPs after fiscal 2009 was subject to performance criteria including meeting cash flow targets for the 3-year plan period, and continued employment at the end of the periods. Vesting of performance share awards under our fiscal 2007 LTIP was subject to performance criteria including meeting net income and cash flow targets for the 30-month plan period ended July 3, 2009 and continued employment at the end of that period. We determined that the net income and cash flow targets would not be achieved for performance share awards made under our fiscal 2009 and fiscal 2007 LTIPs. Accordingly, these awards did not vest and were canceled after the end of the plan 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 plans. 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. 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 4,400,272 as of July 1, 2011. Currently, we do not anticipate repurchasing shares to provide a source of shares for our rewards of share-based compensation.

Acquisition Plans

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 were fully vested as of July 1, 2011.

Some of our employees who were formerly employed by Harris prior to the acquisition of Stratex participate in Harris' three stockholder-approved stock incentive plans (the "Harris Plans") under which options or other share-based compensation is outstanding. The compensation expense (credit) related to the Harris Plans' share-based awards have been settled with Harris by cash. Harris has not made any awards to our employees since the date of the Stratex acquisition.

Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan ("ESPP"), employees are entitled to purchase shares of our common stock at 95% of the fair market value at the end of a three-month purchase period. As of July 1, 2011, 835,601shares were reserved for future issuances under the ESPP. We issued 14,399 shares under the ESPP for fiscal 2011.

Share-Based Compensations

In total, our compensation expense for share-based awards was $4.8 million, $3.2 million and $2.9 million for fiscal 2011, 2010 and 2009, respectively. Amounts were included in our consolidated statements of operations as follows:

	Fiscal 2011	Fiscal 2010	Fiscal 2009
		(In millions)	
By Expense Category:			
Cost of product sales and services	$ 0.4	$ 0.2	$ 0.3
Research and development	1.9	0.6	0.7
Selling and administrative	2.3	2.4	1.9
Discontinued operations	0.2	—	—
Total share-based compensation expense, net tax of nil	$ 4.8	$ 3.2	$ 2.9
By Types of Award:			
Options	$ 2.4	$ 2.5	$ 3.0
Restricted stock awards	1.2	1.0	0.8
Performance shares	1.2	(0.3)	(0.9)
Total share-based compensation expense	$ 4.8	$ 3.2	$ 2.9
By Stock Plans:			
2007 Stock Plan	$ 4.8	$ 3.2	$ 1.2
Former Stratex options	—	0.1	1.6
Harris Plans (settled by cash)	—	(0.1)	0.1
Total share-based compensation expense	$ 4.8	$ 3.2	$ 2.9

Stock Options

A summary of the combined stock option activity under our equity plans during fiscal 2011 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
			(Years)	($ in millions)
Options outstanding as of July 2, 2010	3,685,477	$10.42	3.63	$0.1
Granted	1,256,221	$ 4.74		
Exercised	(23,166)	$ 5.50		
Forfeited	(456,442)	$ 5.76		
Expired	(677,179)	$18.42		
Options outstanding as of July 1, 2011	3,784,911	$ 7.70	4.53	1.2
Options exercisable as of July 1, 2011	1,910,905	$10.02	3.15	0.9
Options vested and expected to vest as of July 1, 2011	3,614,444	$ 7.82	4.46	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 July 1, 2011 of $3.96 and the exercise price for in-the-money options that would have been received by the optionees if all options had been exercised on July 1, 2011. 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):

	2011	2010	2009
Intrinsic value of options exercised	$0.0	$0.0	$—
Fair value of options vested	$2.6	$1.9	$ 0.5

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:

Grant Fiscal Year	2011	2010	2009
Expected dividends	0.0%	0.0%	0.0%
Expected volatility	63.7%	61.1%	54.2%
Risk-free interest rate	1.32%	2.35%	2.36%
Expected term (years)	4.35	4.410	4.375
Weighted average grant date fair value per share granted	$2.41	$ 3.16	$ 2.60

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 our stock does not have sufficient trading history and we do not have sufficient stock option exercise data since our company was formed in January 2007. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The expected dividend yield is zero because we have not historically paid dividends and have no intention to pay dividends.

As of July 1, 2011, there was $3.6 million of total unrecognized compensation expense related to nonvested stock options granted under our 2007 Stock Equity Plan. This cost is expected to be recognized over a weighted-average period of 1.9 years.

The following summarizes all of our stock options outstanding as of July 1, 2011:

	Options Outstanding			Options Exercisable	
Actual Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
			(Years)		
$3.87 — $4.59	968,509	6.02	$ 4.35	139,488	$ 4.30
$5.18 — $6.00	1,371,123	4.35	$ 5.92	782,234	$ 5.98
$6.07 — $16.04	1,167,223	4.08	$ 9.18	711,127	$10.95
$16.27 — $24.60	278,056	2.16	$21.89	278,056	$21.89
$3.87 — $24.60	3,784,911	4.53	$ 7.70	1,910,905	$10.02

Restricted Stock

We recognized $1.2 million, $1.0 million and $0.8 million of compensation expense related to restricted stock awards and units during fiscal 2011, 2010 and 2009, respectively. The fair value of each restricted stock grant is based on the closing price of our Common Stock on the date of grant and is amortized to compensation expense over its vesting period.

A summary of the status of our restricted stock as of July 1, 2011 and changes during fiscal 2011 are as follows:

	Shares	Weighted Average Grant Date Fair Value
Restricted stock outstanding as of July 2, 2010	392,369	$5.96
Granted	578,259	$4.65
Vested and released	(111,993)	$6.19
Forfeited	(126,515)	$5.18
Restricted stock outstanding as of July 1, 2011	732,120	$5.03

As of July 1, 2011, there was $2.5 million of total unrecognized compensation expense related to restricted stock awards under our 2007 Stock Equity Plan. This expense is expected to be recognized over a weighted-average period of 2.0 years. The total fair value of restricted stock that vested during fiscal 2011, 2010 and 2009 was $0.7 million, $1.6 million and $0.4 million, respectively.

Performance Share Awards

A summary of the status of our performance shares as of July 1, 2011, and changes during fiscal 2011, are as follows:

	Shares	Weighted Average Grant Date Fair Value
LTIP Plans:		
Performance shares outstanding as of July 2, 2010	646,783	$5.73
Granted	533,971	$4.19
Vested and released	—	
Forfeited due to target thresholds not achieved	(298,248)	$5.32
Forfeited due to terminations	(199,628)	$5.58
Performance shares outstanding as of July 1, 2011	682,878	$4.75
PDIP Plans:		
Performance shares outstanding as of July 2, 2010	—	
Granted	566,662	$4.04
Vested and released	(293,177)	$4.03
Forfeited due to target thresholds not achieved	—	
Forfeited due to terminations	(24,945)	$4.19
Performance shares outstanding as of July 1, 2011	248,540	$4.04

During fiscal 2011, 2010 and 2009, we recorded compensation expense (credit) of $1.2 million, $(0.3) million and $(0.9) million, respectively, for all performance share awards. 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.

In August 2010, our Board of Directors approved a PDIP to make a one-time grant of 566,662 performance shares to employees related to several new product development projects. During fiscal 2011, 293,177 performance shares were vested upon achievements of development milestones. We recorded a total of $1.5 million share-based compensation expense related to performance shares under this PDIP in fiscal 2011.

During fiscal 2011, we determined that the three-year cash flow target for performance shares made under our fiscal 2011 and fiscal 2010 LTIPs would probably not be achieved at the end of the plan years. We also determined that the three-year performance period minimum threshold targets were not achieved for performance shares made under our fiscal 2009 LTIP and these shares were canceled in July 2011. Accordingly, we recorded zero compensation expense related to LTIP awards and reversed a $0.3 million previously recognized compensation costs related to LTIP awards in fiscal 2011.

During fiscal 2010, we determined that the three-year performance period minimum threshold targets would not be achieved for performance share awards made under our fiscal year 2009 LTIP and we estimated that 100% of these awards would not vest and would be forfeited at the end of the plan year. As a result, we recorded a $0.6 million credit to compensation expense during fiscal 2010 related to these awards.

During fiscal 2009, we determined that the net income and cash flow targets would not be achieved for performance share awards made under our fiscal year 2007 LTIP. Accordingly, these awards did not vest and were forfeited as of July 3, 2009. As a result, we recorded a credit to compensation expense of $1.6 million during fiscal 2009 related to these awards.

As of July 1, 2011, there was $0.1 million of total unrecognized compensation expense related to performance share awards. This expense is expected to be recognized over a weighted-average period of 0.21 years. The total fair value of performance share awards that vested during fiscal 2011 was $1.2 million, with none in fiscal 2010 and 2009.

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.

Preferred Share Purchase Rights

On April 20, 2009, our board of directors adopted a rights plan. The terms of the rights and the rights plan are set forth in a Rights Agreement dated as of April 20, 2009 (the “Rights Plan”). The Rights Plan was intended to act as a deterrent to any person or group acquiring 15% or more of our outstanding common stock without the approval of our board of directors. The Rights Plan expired by its own terms on January 20, 2010.

Note 11. Business Segments

Revenue and operating loss by segment are as follows:

	2011	2010	2009
		(In millions)	
Revenue			
North America	$160.4	$ 174.8	$ 231.9
International	291.7	290.7	446.0
Total Revenue	$452.1	$ 465.5	$ 677.9
Operating Loss			
North America(1)	$ (21.3)	$ (52.8)	$ (62.8)
International(2)	(13.3)	(58.7)	(266.3)
Total Operating Loss	$ (34.6)	$(111.5)	$(329.1)

(1) The following tables summarize certain charges, expenses and gains included in the North America segment operating results during fiscal 2011, 2010 and 2009:

	2011	2010	2009
		(In millions)	
Goodwill impairment charges	$ —	$ —	$31.8
Intangible impairment charges	—	5.1	10.7
Property, plant and equipment impairment charges	—	7.0	3.2
Rebranding and transitional costs	0.9	6.4	—
Charges for product transition, product discontinuances and inventory mark-downs	6.6	16.9	25.3
Amortization of purchased technology and intangible assets	3.4	11.7	3.0
Restructuring charges	11.5	5.6	5.1
Amortization of the fair value adjustments related to fixed assets and inventory	0.2	0.5	0.6
Gain from sale of building	—	(1.0)	—
Share-based compensation expense	3.8	2.9	1.8
	$26.4	$55.1	$81.5

(2) The following tables summarize certain charges, expenses and gains included in the International segment operating results during fiscal 2011, 2010 and 2009:

	2011	2010	2009
		(In millions)	
Goodwill impairment charges	$—	$ —	$247.2
Intangible impairment charges	—	52.6	21.9
Property, plant and equipment impairment charges	—	1.7	—
Rebranding and transitional costs	—	2.0	—
Charges for product transition, product discontinuances and inventory mark-downs	—	—	4.5
Amortization of purchased technology and intangible assets	—	0.6	9.7
Restructuring charges	3.9	1.5	3.1
Amortization of the fair value adjustments related to fixed assets and inventory	—	0.1	1.1
Acquired in-process research and development	—	—	2.4
Other charges or adjustments	(0.9)	—	—
Share-based compensation expense	$ 1.0	$ 0.2	$ 1.1
	$ 4.0	$58.7	$291.0

We report revenue by country based on the location where our customers accept delivery of our products and services. Revenue by country comprising more than 5% of our sales to unaffiliated customers for fiscal 2011, 2010 and 2009 are as follows:

	2011	% of Total	2010	% of Total	2009	% of Total
			(In millions)			
United States	$147.2	32.6%	$157.1	33.8%	$208.5	30.8%
Nigeria	78.0	17.3%	83.8	18.0%	145.9	21.5%
Saudi Arabia	*	*	33.0	7.1%	*	*
Poland	*	*	*	*	36.5	5.4%

* Accounted for less than 5% of total revenue during the fiscal year.

Long-lived assets consisted primarily of identifiable intangible assets, goodwill and property, plant and equipment. Long-lived assets by location as of July 1, 2011 and July 2, 2010 are as follows:

	July 1, 2011	July 2, 2010
	(In millions)	
United States	$16.0	$22.0
Singapore	10.4	20.7
United Kingdom	3.7	3.9
Other countries	3.5	13.9
Total	$33.6	$60.5

Note 12. Income Taxes

Loss from continuing operations before provision for (benefit from) income taxes during fiscal year 2011, 2010 and 2009 is as follows:

	2011	2010	2009
		(In millions)	
United States	$(32.3)	$ (80.4)	$(183.2)
Foreign	(12.4)	(31.8)	(147.8)
Total	$(44.7)	$(112.2)	$(331.0)

Provision (benefit) for income taxes from continuing operations for fiscal year 2011, 2010 and 2009 are summarized as follows:

	2011	2010	2009
		(In millions)	
Current provision:			
United States	$ 0.1	$(4.4)	$ —
Foreign	2.0	4.8	1.7
State and local	—	—	0.1
Total current provision	2.1	0.4	1.8
Deferred provision (benefit):			
United States	—	—	22.1
Foreign	12.0	(4.2)	(9.0)
State and local	—	—	2.9
Total deferred provision (benefit)	12.0	(4.2)	16.0
	$14.1	$(3.8)	$17.8

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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 2011, 2010 and 2009:

	2011	2010	2009
		(In millions)	
Statutory U.S. Federal tax rate	(35.0)%	(35.0)%	(35.0)%
Valuation allowances	51.9	5.7	14.6
State and local taxes, net of U.S. Federal tax benefit	(3.4)	(0.5)	(0.7)
Goodwill impairment not deductible	0.2	0.9	16.6
Foreign income taxed at rates less than the U.S. statutory rate	9.0	7.6	7.5
Dividend from foreign subsidiary	—	15.6	—
Foreign Branch Income/Withholding Taxes	6.3	1.6	—
Other	2.5	0.7	2.4
Effective tax rate	31.5%	(3.4)%	5.4%

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

	July 1, 2011		July 2, 2010	
	Current	Non-Current	Current	Non-Current
		(In millions)		
Deferred tax assets:				
Inventory	$ 16.2	$ —	$ 21.5	$ —
Accruals	0.9	—	1.4	—
Unrealized impairment loss	3.7	—	—	—
Other reserves and accruals	2.3	0.1	1.3	—
Bad debts	3.8	—	3.1	—
Warranty reserve	1.1	—	1.2	—
Depreciation	—	4.3	—	5.3
Amortization	—	11.9	—	11.6
Other foreign	—	—	—	1.3
Stock options	—	5.4	—	4.5
Severance and restructuring costs	1.9	—	2.5	—
Deferred revenue	—	2.9	—	1.3
Unrealized exchange gain/loss	3.4	—	3.6	—
Other	—	5.1	—	4.7
Tax credit carryforwards	—	13.8	—	24.5
Tax loss carryforwards	—	121.1	—	108.1
Total deferred tax assets	33.3	164.6	34.6	161.3
Valuation allowance	(32.5)	(163.9)	(34.6)	(148.8)
Net deferred tax assets	0.8	0.7	—	12.5
Deferred tax liabilities:				
Branch undistributed earnings reserve	0.9	0.5	—	—
Depreciation	—	0.9	—	—
Total deferred tax liabilities	0.9	1.4	—	—
Net deferred tax asset (liability)	$ (0.1)	$ (0.7)	$ —	$ 12.5

Our consolidated balance sheet as of July 1, 2011 includes a total net current deferred income tax liability of $0.1 million and net non-current deferred income tax liability of $0.7 million. This compares to a total net non-current deferred income tax asset of $12.5 million as of July 2, 2010. For all jurisdictions for which we have deferred tax assets, these deferred tax assets are more likely than not to be realized based on criteria in ASC 740. Our valuation allowance related to deferred income taxes, as reflected in our consolidated balance sheet, was

$196.4 million as of July 1, 2011 and $183.4 million as of July 2, 2010. The increase in valuation allowance from fiscal 2010 to fiscal 2011 was primarily due to our establishing additional valuation allowance against certain foreign jurisdiction's deferred tax assets. The effective tax rate in the fiscal year ended July 1, 2011 was impacted unfavorably by a valuation allowance recorded on certain deferred tax assets where it was determined it was not more likely than not that the assets would be realized. The net change in the valuation allowance impacting the effective tax rate during the year ended July 1, 2011 was an increase of $13.0 million.

The effective tax rate in the fiscal year ended July 2, 2010 was impacted unfavorably by a valuation allowance recorded on certain deferred tax assets where it was determined it was not more likely than not that the assets would be realized. The net change in the valuation allowance impacting the effective tax rate during the year ended July 2, 2010 was an increase of $14.5 million.

Tax loss and credit carryforwards as of July 1, 2011 have expiration dates ranging between one year and no expiration in certain instances. The amount of U.S. federal tax loss carryforwards as of July 1, 2011 and July 2, 2010 were $249.7 million and $224.7 million and begin to expire in fiscal 2022. United States income taxes have not been provided on basis differences in foreign subsidiaries of $12.4 million and $18.2 million as of July 1, 2011 and July 2, 2010, because of our intention to reinvest these earnings indefinitely. The residual U.S. tax liability, if such amounts were remitted, would be nominal.

Credit carryforwards as of July 1, 2011 and July 2, 2010 were $20.3 million and $24.5 million and certain credits began to expire in fiscal 2011. The amount of foreign tax loss carryforwards as of July 1, 2011 and July 2, 2010 was $163.9 million and $100.1 million, respectively. The utilization of a portion of the U.S. net operating losses created prior to the merger is subject to an annual limitation under Section 382 of the Internal Revenue Code as a result of a change of ownership.

During the year ended July 1, 2011, some tax benefits recognized that were associated with Mexico deferred tax assets were accounted for through the statement of operations. This realization resulted in a reduction of the valuation allowance of $1.6 million.

We established our International Headquarters in Singapore and received a favorable tax ruling resulting from an application filed by us with the Singapore Economic Development Board ("EDB") effective January 26, 2007. This favorable tax ruling calls for a 10% effective tax rate to be applied over a five year period provided certain milestones and objectives are met. Due to the tax losses in Singapore, we did not realize any tax benefits in Singapore during fiscal 2011. We are currently in negotiation with EDB in amending the tax ruling.

We entered into a tax sharing agreement with Harris Corporation effective on January 26, 2007, the date of the merger. The tax sharing agreement addresses, among other things, the settlement process associated with pre-merger tax liabilities and tax attributes that are attributable to the MCD business when it was a division of Harris Corporation. There were no settlement payments recorded in fiscal year 2011, 2010 or 2009.

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain.

As of July 1, 2011 and July 2, 2010, we had a liability for unrecognized tax benefits of $14.0 million and $14.9 million for various federal, foreign, and state income tax matters. Unrecognized tax benefits decreased by $0.9 million. If the unrecognized tax benefits associated with these positions are ultimately recognized, they would not be expected to have a material impact on our effective tax rate or financial position.

We account for interest and penalties related to unrecognized tax benefits as part of our provision for income taxes. We did not accrue an additional amount for such interest as of July 1, 2011 and July 2, 2010. No penalties have been accrued.

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

Our unrecognized tax benefit activity for fiscal 2011, 2010 and 2009 is as follows (in millions):

Unrecognized tax benefit as of June 27, 2008	$ 29.6
Additions for tax positions in prior periods	1.5
Decreases for tax positions in prior periods	(0.2)
Unrecognized tax benefit as of July 3, 2009	30.9
Additions for tax positions in prior periods	1.3
Decreases for tax positions in prior periods	(17.3)
Unrecognized tax benefit as of July 2, 2010	14.9
Additions for tax positions in current periods	1.3
Decreases for tax positions in prior periods	(2.2)
Unrecognized tax benefit as of July 1, 2011	$ 14.0

We have a number of years with open tax audits which vary from jurisdiction to jurisdiction. Our major tax jurisdictions include the U.S., Singapore, Poland, Nigeria, France and the U.K. The earliest years still open and subject to potential audits for these jurisdictions are as follows: Singapore — 2004; Poland — 2006; Nigeria — 2004; France — 2008; U.K. — 2010; and Australia — 2007. For other foreign jurisdictions, the earliest years still open and subject to potential audits vary from year 2006 to year 2011. As of July 1, 2011, we are under audit by the U.S. Internal Revenue Service for the June 27, 2008 tax year. Because of net operating loss carryforwards that remain subject to audit, the company is, in effect, open for U.S. exam for years back to 1993. In current year, an audit began in Nigeria for our 2004 through 2009 tax year.

Note 13. 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 July 1, 2011, future minimum lease payments for our headquarters total $22.1 million through April 2021.

As of July 1, 2011, our future minimum commitments, net of $2.4 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 (In millions)
2012	$ 8.0
2013	4.7
2014	3.4
2015	2.7
2016	3.1
Thereafter	10.9
Total	$32.8

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 $11.1 million, $12.7 million and $11.9 million in fiscal 2011, 2010 and 2009, respectively.

Note 14. Risk Management, Derivative Financial Instruments and Hedging Activities

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

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

Substantially all derivatives outstanding as of July 1, 2011 are designated as cash flow hedges or non-designated hedges of recorded balance sheet positions. All derivatives are recognized on the balance sheet at their fair value. The total gross notional amount of outstanding derivatives as of July 1, 2011 was $61.5 million, of which $9.4 million were designated as cash flow hedges and $52.1million were not designated as cash flow hedging instruments.

As of July 1, 2011, we had 49 foreign currency forward contracts outstanding with a total net notional amount of $31.6 million consisting of 13 different currencies, primarily the Canadian dollar, Euro, Philippine peso, Polish zloty and Republic of South Africa rand.

Following is a summary by currency of the contract net notional amounts grouped by the underlying foreign currency as of July 1, 2011:

	Contract Amount (Local Currency)		Contract Amount (USD)
	(In millions)		
Canadian dollar ("CAD") net contracts to receive (pay) USD	(CAD)	3.5	$ 3.6
Euro ("EUR") net contracts to receive (pay) USD	(EUR)	10.2	$14.4
Philippine peso ("PHP") net contracts to receive (pay) USD	(PHP)	(181.1)	$ (4.2)
Polish zloty ("PLN") net contracts to receive (pay) USD	(PLN)	26.1	$ 9.2
Republic of South Africa rand ("ZAR") net contracts to receive (pay) USD	(ZAR)	37.9	$ 5.5
All other currencies net contracts to receive (pay) USD			$ 3.1
Total of all currencies			$31.6

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

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

The following table presents the fair value of derivative instruments included within our consolidated balance sheet as of July 1, 2011 and July 2, 2010:

	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
		(In millions)		
As of July1, 2011:				
Derivatives designated as hedging instruments:				
Foreign exchange forward contracts	Other current assets	$ 0.1	Other current liabilities	$(0.1)
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts	Other current assets	0.1	Other current liabilities	—
Total derivatives		$ 0.2		$(0.1)
As of July 2, 2010:				
Derivatives designated as hedging instruments:				
Foreign exchange forward contracts	Other current assets	$ 0.1	Other current liabilities	$ 0.1
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts	Other current assets	—	Other current liabilities	—
Total derivatives		$ 0.1		$ 0.1

The following table presents the amounts of gains (losses) from cash flow hedges recorded in other comprehensive (loss) income, the amounts transferred from other comprehensive (loss) Income and recorded in revenue and cost of products sold, and the amounts associated with excluded time value and hedge ineffectiveness during fiscal 2011, 2010 and 2009 (in millions):

Locations of Gains (Losses) Recorded From Derivatives Designated as Cash Flow Hedges	2011	2010	2009
	(In millions)		
Amount of gain (loss) of effective hedges recognized in Other Comprehensive Income	$(0.6)	$ 0.6	$2.6
Amount of gain (loss) of effective hedges reclassified from Other Comprehensive Income into:			
Revenue	$ 0.4	$(0.2)	$2.6
Cost of Products Sold	$(0.1)	$ 0.2	$0.0
Amount recorded into Cost of Products Sold associated with excluded time value	$(0.2)	$ 0.2	$0.0
Amount recorded into Cost of Products Sold due to hedge ineffectiveness	$ 0.0	$ 0.1	$0.0

Refer to "Note 6. Fair Value Measurements of Assets and Liabilities" for a description of how the above financial instruments are valued and "Note 4. Accumulated Other Comprehensive (Loss) Income" for additional information on changes in other comprehensive loss during fiscal 2011, 2010 and 2009.

Cash Flow Hedges

The purpose of our foreign currency hedging activities is to protect us from the risk that the eventual cash flows resulting from transactions in foreign currencies, including revenue, product costs, selling and administrative expenses and intercompany transactions will be adversely affected by changes in exchange rates. It is our policy to utilize derivatives to reduce foreign currency exchange risks where internal netting strategies cannot be effectively employed. As of July 1, 2011, hedged transactions included our customer and intercompany backlog and outstanding purchase commitments denominated primarily in the Canadian dollar, Euro, Philippine peso, Polish zloty and Republic of South Africa rand. We hedge up to 100% of anticipated exposures typically one to three months in advance, but have hedged as much as six months in advance. We generally review our exposures twice each month and adjust the amount of derivatives outstanding as needed.

A derivative designated as a hedge of a forecasted transaction is carried at fair value with the effective portion of the derivative's fair value recorded in other comprehensive income or loss and subsequently recognized in earnings in the same period or periods the hedged transaction affects earnings. Any ineffective or excluded portion of a derivative's gain or loss is recorded in earnings as it occurs. In some cases, amounts recorded in other comprehensive income or loss will be released to net income or loss some time after the maturity of the related derivative. The consolidated statement of income classification of effective hedge results is the same as that of the underlying exposure. For example, results of hedges of revenue and product costs are recorded in revenue and cost of product sales, respectively, when the underlying hedged transaction is recorded.

As of July 1, 2011, there was less than $0.1 million of deferred net losses on both outstanding and matured derivatives accumulated in other comprehensive loss that are expected to be reclassified to net income or loss during the next twelve months as a result of underlying hedged transactions also being recorded in net income or loss. Actual amounts ultimately reclassified to net income or loss are dependent on the exchange rates in effect when derivative contracts that are currently outstanding mature. As of July 1, 2011, the maximum term over which we are hedging cash flow exposures is six months.

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

When we discontinue hedge accounting because it is no longer probable that the forecasted transaction will occur in the originally expected period, the gain or loss on the derivative remains in accumulated other comprehensive income or loss and is reclassified to net income or loss when the forecasted transaction affects net income or loss. However, if it is probable that a forecasted transaction will not occur by the end of the originally specified time period or within an additional two-month period of time thereafter, the gains and losses that were accumulated in other comprehensive income or loss will be recognized immediately in net income or loss. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, we will carry the derivative at its fair value on the balance sheet, recognizing future changes in the fair value in cost of product sales.

Non-Designated Hedges

As mentioned above, the total notional amount of outstanding derivatives as of July 1, 2011 not designated as cash flow hedging instruments was $52.1 million. The purpose of these hedges is to offset realized and unrealized foreign exchange gains and losses recorded on non-functional currency monetary assets and liabilities, including primarily cash balances and accounts receivable and accounts payable from third party and intercompany transactions recorded on the balance sheet. Since these gains and losses are considered by us to be operational in nature, we record both the gains and losses from the revaluation of the balance sheet transactions and the gains and losses on the derivatives in cost of products sold. During fiscal 2011, we recorded in cost of products sold the following amount of net losses recorded on non-designated hedges as follows (in millions):

	2011	2010	2009	Location of Gain (Loss) Recognized in Income on Derivatives
Derivatives not designated as hedging instruments:				
Gains (losses) on foreign exchange forward contracts	(2.3)	(0.4)	5.4	Cost of products sold

Credit Risk

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

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

Note 15. Legal Proceedings

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"). This action relates to the restatement of our prior financial statements as discussed in our fiscal 2008 Annual Report on Form 10-K filed with the Securities and Exchange Commission on September 25, 2008. Similar complaints were filed in the United States District Court of Delaware on October 6 and October 30, 2008. Each complaint alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, as well as violations of Sections 11 and 15 of the Securities Act of 1933 and seeks, among other relief, determinations that the action is a proper class action, unspecified compensatory damages and reasonable attorneys' fees and costs. The actions were consolidated on June 5, 2009 and a consolidated class action complaint was filed on July 29, 2009 ("Dutton"). On July 27, 2010, the Court denied the motions to dismiss that we and the officer and director defendants had filed. On September 9, 2010, we and the officer and director defendants filed an answer denying the material allegations of the consolidated class action complaint.

On May 31, 2011, we and the other named defendants entered into a stipulation of settlement ("Stipulation") with respect to the *Dutton* action, pursuant to which we are to cause $8.9 million to be paid into a settlement fund. The entire settlement amount is covered by insurance and has been assumed by the insurance company. A motion for preliminary approval of the settlement was filed with the Court on June 1, 2011 and the Court issued its order preliminarily approving the settlement on June 21, 2011. The hearing on final approval of the settlement is set for September 16, 2011.

The effectiveness of the Stipulation and the settlement incorporated therein is conditioned on the following remaining conditions:

(i) Our and Harris Corporation's option to terminate the Stipulation if prior to the settlement hearing the aggregate number of shares of Aviat Network's common stock purchased during the class period by all class members who would otherwise be entitled to participate in the settlement but who validly request exclusion equals or exceeds the sum specified in a supplemental agreement between the parties;

(ii) the Court entering an order of final approval of the Class Action settlement;

(iii) the Court entering judgment in the Class Action; and

(iv) the judgment becoming final.

There can be no assurance that the settlement will be approved or become effective.

Certain of our former executive officers and directors were named in a complaint filed on March 17, 2011 in the United States District Court for the District of Delaware by plaintiff Sandra J. Cutler Living Trust. 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 seeks to recover unspecified damages and other relief on behalf of Aviat Networks, as well as payment of costs and attorneys fees. Defendants, including Aviat Networks as nominal defendant , filed their motion to dismiss on July 25, 2011. Following the filing of the motion to dismiss, plaintiff asked Defendants to stipulate to a dismissal of the action, without prejudice. The parties filed a stipulation requesting that the Court dismiss the action and, on August 18, 2011, the Court entered an order granting the stipulation and dismissing the action, without prejudice.

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 intend to defend our interests in the litigation vigorously.

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

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

Note 16. 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. Beginning in the third quarter of fiscal 2011, the results of our WiMAX business are presented as discontinued operations in our consolidated financial statements. Historical amounts prior to the third quarter of fiscal 2011 are reclassified to conform to current period presentation. Summarized quarterly data for fiscal 2011 and 2010 are as follows:

	Q1 10/1/2010 (1)(2)(3)	Q2 12/31/2010 (1)(2)(3)	Q3 4/1/2011 (2)(3)	Q4 7/1/2011 (3)
	(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)	$ (3.5)	$ (9.7)	$ (3.3)
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)

	Q1 10/2/2009 (1)(2)(3)	Q2 1/1/2010 (1)(2)(3)	Q3 4/2/2010 (2)(3)	Q4 7/2/2010 (1)(3)
	(In millions, except per share amounts)			
Fiscal 2010				
Revenue	$119.4	$120.8	$117.7	$107.6
Gross margin	$ 38.2	$ 42.8	$ 18.5	$ 33.3
Operating loss	$ (1.7)	$ (1.6)	$ (24.6)	$ (83.6)
Net loss	$ (7.8)	$ (7.9)	$ (25.7)	$ (88.8)
Per share data:				
Basic and diluted net loss per common share	$ (0.13)	$ (0.13)	$ (0.43)	$ (1.49)

(1) Differences between the amounts presented above and previously reported quarterly financial results are attributable to the operating results of our WiMAX business, which has been presented as discontinued operations for the periods presented.

(2) The amounts reflect adjustments related to WiMAX revenues and operating expenses for the first three quarters of fiscal 2011 and 2010 as compared to previously reported quarterly financial results. Revenue previously reported was $117.0 million for the third quarter of fiscal 2010, $334.6 million and $356.2 million, respectively, for the first three quarters of fiscal 2011 and 2010. Gross margin previously reported was $17.3 million for the third quarter of fiscal 2010, $96.6 million and $97.3 million, respectively, for the first three quarters of fiscal 2011 and 2010. Operating loss previously reported was $(10.1) million and $(25.8) million, respectively, for the third quarter of fiscal 2011 and 2010, and $(30.4) million and $(30.1) million, respectively, for the first three quarters of fiscal 2011 and 2010.

(3) 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 (in millions):

	Q1 10/1/2010	Q2 12/31/2010	Q3 4/1/2011	Q4 7/1/2011
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

	Q1 10/2/2009	Q2 1/1/2010	Q3 4/2/2010	Q4 7/2/2010
Intangible assets impairment charges	$ —	$—	$ —	$57.7
Property, plant and equipment impairment charges	—	—	—	8.7
Charges for product transition, product discontinuances and inventory mark-downs	—	—	16.9	—
Amortization of purchased technology and intangible assets	3.3	3.2	3.1	2.7
Restructuring charges	1.1	1.5	0.7	3.8
Amortization of fair value adjustments related to fixed assets	0.2	0.2	0.2	—
Rebranding and transitional costs	0.1	1.5	1.4	5.4
Gain on sale of building and Telsima acquisition purchase price settlement	—	—	—	(2.2)
Share-based compensation expense	1.1	0.5	0.3	1.2
	$ 5.8	$ 6.9	$22.6	$77.3
Loss from discontinued operations	$ 4.7	$ 4.6	$ 4.4	$ 8.1

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

Note 17. Subsequent Event

On September 2, 2011, we entered into an Asset Purchase Agreement (the “Agreement”) with EION Networks, Inc. (“EION”), a privately-owned Canadian company based in Ottawa, Ontario, pursuant to which we sold to EION our WiMAX business and related assets consisting of certain technology, inventory and equipment. Pursuant to the terms of the Agreement, we assigned our 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, the Agreement provides for EION to pay us $0.4 million in cash six months from the date of closing 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 or the probability of any such payment. Accordingly, any future consideration will be recorded as a contingent gain in the period that it is received.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Our disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Management has conducted an evaluation, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)). Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of July 1, 2011.

Management’s Report on Internal Control over Financial Reporting

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

Based on our assessment, management has concluded that our internal control over financial reporting was effective as of July 1, 2011.

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

Changes in Internal Control over Financial Reporting

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

Item 9B. ***Other Information***

None.

PART III

Certain information required by Part III is omitted from this Annual Report on Form 10-K because we will file a Definitive Proxy Statement with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended July 1, 2011.

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

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

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 2011 Annual Meeting of Stockholders to be held on or about November 17, 2011 and is incorporated herein by reference.

Item 11. *Executive Compensation*

Information regarding our executive compensation will appear in our definitive Proxy Statement for our 2011 Annual Meeting of Stockholders to be held on or about November 17, 2011 and is incorporated herein by reference.

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

Equity Compensation Plan Summary

The following table provides information as of July 1, 2011, 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)	3,366,929	$ 6.14	4,400,272
Equity Compensation plans not approved by security holders(4)	571,849	$16.44	—
Total	3,938,778	$ 7.70	4,400,272

(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 July 1, 2011, there were 1,663,538 such awards outstanding under that plan. The outstanding awards consisted of (i) performance share awards at target and restricted stock awards, for which all

1,509,671 shares were issued and outstanding; and (ii) 153,867 performance share unit awards at target and restricted stock unit awards, for which all 153,867 were payable in shares but for which no shares were yet issued and outstanding. The 3,366,929 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 3,213,062 outstanding options and in respect of the 153,867 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 19, 2009.

(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 2011 Annual Meeting of Stockholders to be held on or about November 17, 2011 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 2011 Annual Meeting of Stockholders to be held on or about November 17, 2011 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 2011 Annual Meeting of Stockholders to be held on or about November 17, 2011 and is incorporated herein by reference.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

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

1. Financial Statements.

The financial statements of Aviat Networks, Inc. are set forth in Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedules.

Schedule II — Valuation and Qualifying Accounts for the three fiscal years ended July 1, 2011

All other schedules have been omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedules or because the information required is included in the consolidated financial statements or notes thereto.

2(b). Exhibits.

The following exhibits are filed herewith or are incorporated herein by reference to exhibits previously filed with the SEC:

Ex. #	Description
2.1	Amended and Restated Formation, Contribution and Merger Agreement, dated as of December 18, 2006, among Harris Corporation, Stratex Networks, Inc., Harris Stratex Networks, Inc. and Stratex Merger Corp. (incorporated by reference to Appendix A to the proxy statement/prospectus forming a part of the Registration Statement on Form S-4 of Harris Stratex Networks, Inc. filed with the Securities and Exchange Commission on January 3, 2007, File No. 333-137980)
2.2	Letter Agreement, dated as of January 26, 2007, among Harris Corporation, Stratex Networks, Inc., Harris Stratex Networks, Inc. and Stratex Merger Corp. (incorporated by reference to Exhibit 2.1.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
2.3	Agreement and Plan of Merger by and among Harris Stratex Networks Operating Corporation, Eagle Networks Merger Corporation, Telsima Corporation and the Holder Representative dated as of February 27, 2009 (incorporated by reference to Exhibit 2.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on March 6, 2009, File No. 001-33278)
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)

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Ex. #	Description
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.
4.3	Intentionally omitted.
10.1	Intentionally omitted.
10.2	Non-Competition Agreement among Harris Stratex Networks, Inc., Harris Corporation and Stratex Networks, Inc. dated January 26, 2007 (incorporated by reference to Exhibit 10.2 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.3	Intellectual Property Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.4 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.4	Trademark and Trade Name License Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.5 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.5	Intentionally omitted.
10.6	Transition Services Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.7 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.6.1	Amendment to Transition Services Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated December 12, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended January 2, 2009 filed with the Securities and Exchange Commission on February 10, 2009, File No. 001-33278)
10.7	Intentionally omitted.
10.8	NetBoss Service Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.9 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.9	Intentionally omitted.
10.10	Tax Sharing Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.11 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.11	Intentionally omitted.
10.12*	Employment Agreement, effective as of April 8, 2008, between Harris Stratex Networks, Inc. and Harald J. Braun (incorporated by reference to Exhibit 10.15.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 28, 2008 filed with the Securities and Exchange Commission on May 6, 2008, File No. 001-33278)
10.13*	Restated Employment Agreement, dated as of May 14, 2002, by and between Stratex Networks, Inc. and Charles D. Kissner (incorporated by reference to Exhibit 10.7 to the Annual Report on Form 10-K of Stratex Networks, Inc. for the Fiscal Year Ended March 31, 2003 filed with the Securities and Exchange Commission on May 19, 2003, File No. 000-15895)

Ex. #	Description
10.13.1*	Third Amendment to Employment Agreement, dated as of December 15, 2006, by and between Stratex Networks, Inc. and Charles D. Kissner (incorporated by reference to Exhibit 10.29 to Amendment No. 2 to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on December 19, 2006, File No. 333-137980)
10.14*	Standard Form of Executive Employment Agreement between Harris Stratex Networks, Inc. and certain executives (incorporated by reference to Exhibit 10.16 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.15	Form of Indemnification Agreement between Harris Stratex Networks, Inc. and its directors and certain officers (incorporated by reference to Exhibit 10.16 to the Registration Statement on Form S-1 of Stratex Networks, Inc., File No. 33-13431)
10.16	Sublicense Agreement, effective as of January 26, 2007, between Harris Stratex Networks, Inc. and Harris Stratex Networks Operating Corporation (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2007 filed with the Securities and Exchange Commission on August 27, 2007, File No. 001-33278)
10.17*	Harris Stratex Networks, Inc. Annual Incentive Plan (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2008 filed with the Securities and Exchange Commission on September 25, 2008, File No. 001-33278)
10.18*	Harris Stratex Networks, Inc. 2007 Stock Equity Plan (incorporated by reference to Exhibit 4.9 to the Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 5, 2007, File No. 333-140442)
10.18.1	Harris Stratex Networks, Inc. 2007 Stock Equity Plan (As Amended and Restated Effective November 19, 2009) (incorporated by reference to Appendix B to the Registrant's Schedule 14A filed with the Securities and Exchange Commission on October 7, 2009, File No. 001-33278)
10.19	Credit Agreement between Harris Stratex Networks, Inc., Harris Stratex Networks Operating Corporation, Harris Stratex Networks(S) Pte. Ltd., Bank of America, N.A., Silicon Valley Bank, Banc of America Securities Asia Limited and Banc of America Securities LLC, dated June 30, 2008 (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2008 filed with the Securities and Exchange Commission on September 25, 2008, File No. 001-33278)
10.19.1	Amendment No. 1 to Credit Agreement between Aviat Networks, Inc., Aviat U.S., Inc., Aviat Networks(S) Pte. Ltd., Bank of America, N.A., Bank of America, N.A Hong Kong Branch, and Silicon Valley Bank, dated August 23, 2010 (incorporate by reference to Exhibit 10.19.1 to the Company's Annual Report on Form 10-K for the fiscal year ended July 2, 2010 filed with the Securities and Exchange Commission on September 9, 2010, File No. 001-33278)
10.20	Amended and Restated Loan and Security Agreement between Stratex Networks, Inc. and Silicon Valley Bank, dated January 21, 2004 (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of Stratex Networks, Inc. on January 22, 2004, File No. 000-15895)
10.20.1	Amendment No. 5 to Amended and Restated Loan and Security Agreement between Harris Stratex Networks Operating Corporation, a wholly owned subsidiary of Harris Stratex Networks, Inc. and the successor to Stratex Networks, Inc. and Silicon Valley Bank, dated February 23, 2007 (incorporated herein by reference to Exhibit 10.28.5 to the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2007 filed with the Securities and Exchange Commission on August 27, 2007, File No. 001-33278)
10.21	Intentionally omitted.

Ex. #	Description
10.22*	Employment Agreement, effective as of May 4, 2009, between Harris Stratex Networks, Inc. and Thomas L. Cronan III (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on May 5, 2009, File No. 001-33278)
10.23*	Employment Agreement, dated as of April 1, 2006, between Harris Stratex Networks, Inc. and Heinz Stumpe (incorporation by reference to Exhibit 10.15.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2007 filed with the Securities and Exchange Commission on May 8, 2007, File No. 001-33278)
10.24*	Employment Agreement, dated as of May 14, 2002, between Stratex Networks, Inc. and Paul Kennard (incorporated by reference to Exhibit 10.1 to the Stratex Networks, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006 filed with the Securities and Exchange Commission on August 9, 2006, File No. 000-15895)
10.24.1*	Amendment A, effective as of April 1, 2006, to Employment Agreement, dated May 14, 2002, between Stratex Networks, Inc. and Paul Kennard (incorporated by reference to Exhibit 10.2 to the Stratex Networks, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006 filed with the Securities and Exchange Commission on August 9, 2006, File No. 000-15895)
10.24.2*	Amendment B, effective as of April 1, 2006, to Employment Agreement, dated May 14, 2002, between Stratex Networks, Inc. and Paul Kennard (incorporated by reference to Exhibit 10.3 to the Stratex Networks, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006 filed with the Securities and Exchange Commission on August 9, 2006, File No. 000-15895)
10.25*	Employment Agreement, dated as of May 14, 2002, between Stratex Networks, Inc. and Shaun McFall (incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended July 3, 2009 filed with the Securities and Exchange Commission on September 4, 2009, File No. 001-33278)
10.25.1*	Amendment, effective April 1, 2006, to Employment Agreement, dated May 14, 2002, between Stratex Networks, Inc. and Shaun McFall (incorporated by reference to Exhibit 10.25.1 to the Company's Annual Report on Form 10-K for the fiscal year ended July 3, 2009 filed with the Securities and Exchange Commission on September 4, 2009, File No. 001-33278)
10.26*	Employment Agreement, dated June 28, 2010, between Aviat Networks, Inc. and Charles D. Kissner (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on July 1, 2010, File No. 001-33278)
10.26.1*	Employment Agreement, dated August 1, 2010, between Aviat Networks, Inc. and Charles D. Kissner (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for fiscal quarter ended October 1, 2010 filed with the Securities and Exchange Commission on November 10, 2010, File No. 001-33278)
10.27*	Employment Agreement, dated July 18, 2011, between Aviat Networks, Inc. and Charles D. Kissner
10.28*	Employment Agreement, dated July 18, 2011, between Aviat Networks, Inc. and Michael Pangia
10.29*	Employment Agreement, dated December 30, 2010, between Aviat Networks, Inc. and John Madigan (incorporate 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	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)

Ex. #	Description
10.31	Agreement between Aviat Networks, Inc. and Ramius Group, dated September 14, 2010 (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on September 16, 2010, File No. 001-33278)
21	List of Subsidiaries of Aviat Networks, Inc.
23	Consent of Independent Registered Public Accounting Firm
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certification of Chief Executive Officer.
32.2	Section 1350 Certification of Chief Financial Officer.

* Management compensatory contract, arrangement or plan required to be filed as an exhibit pursuant to Item 15(b) of this report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AVIAT NETWORKS, INC.
(Registrant)

By: /s/ Michael A. Pangia
Michael A. Pangia
President and Chief Executive Officer

Date: September 12, 2011

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 12, 2011
/s/ John J. Madigan John J. Madigan	Vice President, Corporate Controller and Interim Chief Financial Officer (Principal Financial and Accounting Officer)	September 12, 2011
/s/ Charles D. Kissner Charles D. Kissner	Chairman of the Board	September 12, 2011
/s/ Eric C. Evans Eric C. Evans	Director	September 12, 2011
/s/ William A. Hasler William A. Hasler	Director	September 12, 2011
/s/ Clifford H. Higgerson Clifford H. Higgerson	Director	September 12, 2011
/s/ Raghavendra Rau Raghavendra Rau	Director	September 12, 2011
/s/ Dr. Mohsen Sohi Dr. Mohsen Sohi	Director	September 12, 2011
/s/ James C. Stoffel James C. Stoffel	Lead Independent Director	September 12, 2011
/s/ Edward F. Thompson Edward F. Thompson	Director	September 12, 2011

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
AVIAT NETWORKS, INC.

Years Ended July 1, 2011, July 2, 2010 and July 3, 2009

	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts Describe	(Additions) Deductions Describe	Balance at End of Period
	($)	($)	($) (In millions)	($)	($)
Allowances for collection losses:					
Year ended July 1, 2011	13.3	2.9	—	2.0(A)	14.2
Year ended July 2, 2010	27.0	2.6	—	16.3(B)	13.3
Year ended July 3, 2009	12.6	9.9	—	(4.5)(C)	27.0
Deferred tax asset valuation allowance(D):					
Year ended July 1, 2011	183.4	13.0	—	—	196.4
Year ended July 2, 2010	168.9	14.5	—	—	183.4
Year ended July 3, 2009	116.9	50.8	1.2(E)	—	168.9

Note A 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 B 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 C Consists of changes to allowance for collection losses of $0.1 million for foreign currency translation losses, $6.4 million in additions from the acquisition of Telsima and $1.8 million for uncollectible accounts charged off, net of recoveries on accounts previously charged off.

Note D Additions to deferred tax valuation allowance are recorded as expense.

Note E Deferred tax asset recorded as an adjustment to goodwill and identified intangible assets under purchase accounting and reclass of Harris Corporation Intercompany deferred tax assets.

EXHIBIT INDEX

The following exhibits are filed herewith or are incorporated herein by reference to exhibits previously filed with the SEC:

Ex. #	Description
2.1	Amended and Restated Formation, Contribution and Merger Agreement, dated as of December 18, 2006, among Harris Corporation, Stratex Networks, Inc., Harris Stratex Networks, Inc. and Stratex Merger Corp. (incorporated by reference to Appendix A to the proxy statement/prospectus forming a part of the Registration Statement on Form S-4 of Harris Stratex Networks, Inc. filed with the Securities and Exchange Commission on January 3, 2007, File No. 333-137980)
2.2	Letter Agreement, dated as of January 26, 2007, among Harris Corporation, Stratex Networks, Inc., Harris Stratex Networks, Inc. and Stratex Merger Corp. (incorporated by reference to Exhibit 2.1.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
2.3	Agreement and Plan of Merger by and among Harris Stratex Networks Operating Corporation, Eagle Networks Merger Corporation, Telsima Corporation and the Holder Representative dated as of February 27, 2009 (incorporated by reference to Exhibit 2.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on March 6, 2009, File No. 001-33278)
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.
4.3	Intentionally omitted.
10.1	Intentionally omitted.
10.2	Non-Competition Agreement among Harris Stratex Networks, Inc., Harris Corporation and Stratex Networks, Inc. dated January 26, 2007 (incorporated by reference to Exhibit 10.2 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.3	Intellectual Property Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.4 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)

Ex. #	Description
10.4	Trademark and Trade Name License Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.5 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.5	Intentionally omitted.
10.6	Transition Services Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.7 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.6.1	Amendment to Transition Services Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated December 12, 2008 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended January 2, 2009 filed with the Securities and Exchange Commission on February 10, 2009, File No. 001-33278)
10.7	Intentionally omitted.
10.8	NetBoss Service Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.9 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.9	Intentionally omitted.
10.10	Tax Sharing Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.11 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.11	Intentionally omitted.
10.12*	Employment Agreement, effective as of April 8, 2008, between Harris Stratex Networks, Inc. and Harald J. Braun (incorporated by reference to Exhibit 10.15.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 28, 2008 filed with the Securities and Exchange Commission on May 6, 2008, File No. 001-33278)
10.13*	Restated Employment Agreement, dated as of May 14, 2002, by and between Stratex Networks, Inc. and Charles D. Kissner (incorporated by reference to Exhibit 10.7 to the Annual Report on Form 10-K of Stratex Networks, Inc. for the Fiscal Year Ended March 31, 2003 filed with the Securities and Exchange Commission on May 19, 2003, File No. 000-15895)
10.13.1*	Third Amendment to Employment Agreement, dated as of December 15, 2006, by and between Stratex Networks, Inc. and Charles D. Kissner (incorporated by reference to Exhibit 10.29 to Amendment No. 2 to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on December 19, 2006, File No. 333-137980)
10.14*	Standard Form of Executive Employment Agreement between Harris Stratex Networks, Inc. and certain executives (incorporated by reference to Exhibit 10.16 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.15	Form of Indemnification Agreement between Harris Stratex Networks, Inc. and its directors and certain officers (incorporated by reference to Exhibit 10.16 to the Registration Statement on Form S-1 of Stratex Networks, Inc., File No. 33-13431)
10.16	Sublicense Agreement, effective as of January 26, 2007, between Harris Stratex Networks, Inc. and Harris Stratex Networks Operating Corporation (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2007 filed with the Securities and Exchange Commission on August 27, 2007, File No. 001-33278)

Ex. #	Description
10.17*	Harris Stratex Networks, Inc. Annual Incentive Plan (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2008 filed with the Securities and Exchange Commission on September 25, 2008, File No. 001-33278)
10.18*	Harris Stratex Networks, Inc. 2007 Stock Equity Plan (incorporated by reference to Exhibit 4.9 to the Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 5, 2007, File No. 333-140442)
10.18.1	Harris Stratex Networks, Inc. 2007 Stock Equity Plan (As Amended and Restated Effective November 19, 2009) (incorporated by reference to Appendix B to the Registrant's Schedule 14A filed with the Securities and Exchange Commission on October 7, 2009, File No. 001-33278)
10.19	Credit Agreement between Harris Stratex Networks, Inc., Harris Stratex Networks Operating Corporation, Harris Stratex Networks(S) Pte. Ltd., Bank of America, N.A., Silicon Valley Bank, Banc of America Securities Asia Limited and Banc of America Securities LLC, dated June 30, 2008 (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the fiscal year ended June 27, 2008 filed with the Securities and Exchange Commission on September 25, 2008, File No. 001-33278)
10.19.1	Amendment No. 1 to Credit Agreement between Aviat Networks, Inc., Aviat U.S., Inc., Aviat Networks(S) Pte. Ltd., Bank of America, N.A., Bank of America, N.A Hong Kong Branch, and Silicon Valley Bank, dated August 23, 2010 (incorporate by reference to Exhibit 10.19.1 to the Company's Annual Report on Form 10-K for the fiscal year ended July 2, 2010 filed with the Securities and Exchange Commission on September 9, 2010, File No. 001-33278)
10.20	Amended and Restated Loan and Security Agreement between Stratex Networks, Inc. and Silicon Valley Bank, dated January 21, 2004 (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of Stratex Networks, Inc. on January 22, 2004, File No. 000-15895)
10.20.1	Amendment No. 5 to Amended and Restated Loan and Security Agreement between Harris Stratex Networks Operating Corporation, a wholly owned subsidiary of Harris Stratex Networks, Inc. and the successor to Stratex Networks, Inc. and Silicon Valley Bank, dated February 23, 2007 (incorporated herein by reference to Exhibit 10.28.5 to the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2007 filed with the Securities and Exchange Commission on August 27, 2007, File No. 001-33278)
10.21	Intentionally omitted.
10.22*	Employment Agreement, effective as of May 4, 2009, between Harris Stratex Networks, Inc. and Thomas L. Cronan III (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on May 5, 2009, File No. 001-33278)
10.23*	Employment Agreement, dated as of April 1, 2006, between Harris Stratex Networks, Inc. and Heinz Stumpe (incorporation by reference to Exhibit 10.15.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2007 filed with the Securities and Exchange Commission on May 8, 2007, File No. 001-33278)
10.24*	Employment Agreement, dated as of May 14, 2002, between Stratex Networks, Inc. and Paul Kennard (incorporated by reference to Exhibit 10.1 to the Stratex Networks, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006 filed with the Securities and Exchange Commission on August 9, 2006, File No. 000-15895)
10.24.1*	Amendment A, effective as of April 1, 2006, to Employment Agreement, dated May 14, 2002, between Stratex Networks, Inc. and Paul Kennard (incorporated by reference to Exhibit 10.2 to the Stratex Networks, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006 filed with the Securities and Exchange Commission on August 9, 2006, File No. 000-15895)

Ex. #	Description
10.24.2*	Amendment B, effective as of April 1, 2006, to Employment Agreement, dated May 14, 2002, between Stratex Networks, Inc. and Paul Kennard (incorporated by reference to Exhibit 10.3 to the Stratex Networks, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006 filed with the Securities and Exchange Commission on August 9, 2006, File No. 000-15895)
10 .25*	Employment Agreement, dated as of May 14, 2002, between Stratex Networks, Inc. and Shaun McFall (incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended July 3, 2009 filed with the Securities and Exchange Commission on September 4, 2009, File No. 001-33278)
10.25.1*	Amendment, effective April 1, 2006, to Employment Agreement, dated May 14, 2002, between Stratex Networks, Inc. and Shaun McFall (incorporated by reference to Exhibit 10.25.1 to the Company's Annual Report on Form 10-K for the fiscal year ended July 3, 2009 filed with the Securities and Exchange Commission on September 4, 2009, File No. 001-33278)
10.26*	Employment Agreement, dated June 28, 2010, between Aviat Networks, Inc. and Charles D. Kissner (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on July 1, 2010, File No. 001-33278)
10.26.1*	Employment Agreement, dated August 1, 2010, between Aviat Networks, Inc. and Charles D. Kissner (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for fiscal quarter ended October 1, 2010 filed with the Securities and Exchange Commission on November 10, 2010, File No. 001-33278)
10.27*	Employment Agreement, dated July 18, 2011, between Aviat Networks, Inc. and Charles D. Kissner
10.28*	Employment Agreement, dated July 18, 2011, between Aviat Networks, Inc. and Michael Pangia
10.29*	Employment Agreement, dated December 30, 2010, between Aviat Networks, Inc. and John Madigan (incorporate 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	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)
10.31	Agreement between Aviat Networks, Inc. and Ramius Group, dated September 14, 2010 (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on September 16, 2010, File No. 001-33278)
21	List of Subsidiaries of Aviat Networks, Inc.
23	Consent of Independent Registered Public Accounting Firm
31 .1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31 .2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32 .1	Section 1350 Certification of Chief Executive Officer.
32 .2	Section 1350 Certification of Chief Financial Officer.

* Management compensatory contract, arrangement or plan required to be filed as an exhibit pursuant to Item 15(b) of this report.

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Appendix

Stockholder Information

Executive Offices
Aviat Networks, Inc.
5200 Great America Parkway
Santa Clara, CA 95054
(408) 567-7000

Independent Public Accountants
Ernst & Young LLP
Raleigh, NC

Transfer Agent and Registrar
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
Candace Lattyak
Tel: (408) 567-7121
Candace.lattyak@aviatnet.com

Stockholder Inquiries
Questions relating to stockholder records, change of ownership or change of address should be sent to our transfer agent, 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

2011 Annual Report
We have published this 2011 Annual Report to Stockholders, including the Consolidated Financial Statements and Management's Discussion and Analysis, as an appendix to our Proxy Statement. Further information regarding various aspects of our business can be found on our Web site (www.Aviatnetworks.com).

Electronic Delivery
In an effort to reduce paper mailed to your home, we offer stockholders the convenience of viewing the Proxy Statement, Annual Report to Stockholders and related materials online. With your consent, we can stop sending future paper copies of these documents to you by mail. To participate, follow the instructions at www.icsdelivery.com.

Online Voting at http://proxy.georgeson.com
If you are a registered stockholder, you may now use the Internet to transmit your voting instructions anytime before 5:00 p.m. EDT on November 16, 2011. 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

John Madigan
Vice President, Corporate Controller, Principal Accounting Officer and Interim Chief Financial Officer

Paul A. Kennard
Sr. Vice President and Chief Technical Officer

Shaun McFall
Sr. Vice President and Chief Marketing Officer

Heinz H. Stumpe
Sr. Vice President and Chief Operating Officer

Meena L. Elliott
Sr. Vice President, General Counsel and Secretary

Carol A. Goudey
Corporate Treasurer and Assistant Secretary

Directors
Charles D. Kissner
Chairman of the Board
Aviat Networks, Inc.
Director
ShoreTel, Inc.

Eric C. Evans
Senior Advisor, D&M Holdings, Inc.
Chairman of the Board, Chief Executive Officer, Representative Executive Director (Former)
D&M Holdings, Inc.

William A. Hasler
Director
Ditech Networks, Inc.
Globalstar, Inc.
Mission West Properties, Inc.

Clifford H. Higgerson
General Partner
Vangard Venture Partners
Partner
Walden International

Dr. Mohsen Sohi
Managing Partner
Freudenberg & Co.
Director
Steris Corporation

Dr. James C. Stoffel
Lead Independent Director
Aviat Networks, Inc.
Director
Harris Corporation

Edward F. Thompson
Director
InnoPath Software, Inc.
Shoretel, Inc.

Outside Legal Counsel
Bingham McCutchen LLP
East Palo Alto, CA

Headquarters and Operations

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Aviat Networks, Inc.
5200 Great America Parkway
Santa Clara, CA 95054
United States

International Headquarters, Singapore
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Honeywell Building, #04-01
Singapore 486073

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North America
Alpharetta, GA
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Morrisville, NC
San Antonio, TX

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Bucharest, Romania
Cascais, Portugal
Châtenay-Malabry, France
Dublin, Ireland
Glasgow, Scotland
Hilversum, The Netherlands
Madrid, Spain
Moscow, Russia
Nuneaton, United Kingdom
Trzin-Ljubljana, Slovenia
Warsaw, Poland

Mexico
Mexico D.F.

Africa
Abidjan, Côte d'Ivoire
Accra, Ghana
Alger, Algeria
Lagos, Nigéria
Midrand, South Africa
Nairobi, Kenya

Middle East
Dubai, United Arab Emirates
Riyadh, Saudi Arabia

Asia & Pacific Rim
Bangkok, Thailand
Colombo, Sri Lanka
Dhaka, Bangladesh
Gurgaon, India
Jakarta, Indonesia
Manila, Philippines
Kuala Lumpur, Malaysia
Shenzhen, China
Singapore
Sydney, Australia
Wellington, New Zealand

South America
Buenos Aires, Argentina

Forward-looking Statements
This Annual Report, including the letter to shareholders, contains forward- looking statements that are based on the views of management regarding future events at the time of publication of this report. These forward-looking statements, which include, but are not limited to: our plans, strategies and objectives for future operations; new products, services or developments; future economic conditions; outlook; impact on operating results due to the volume, timing, customer, product and geographic mix of our product orders; our growth potential and the potential of industries and the markets we serve, are subject to the known and unknown Risks, uncertainties and other factors that may cause our actual results to be materially different from those expressed or implied by each forward-looking statement. These risks, uncertainties and other factors are discussed in the 2011 Form 10-K.

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