BHP BILLITON PLC
Form 6-K
January 28, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 OF

THE SECURITIES EXCHANGE ACT OF 1934

For the Date of

27 January 2005

BHP Billiton Plc

Registration Number 3196209

Neathouse Place

London SW1V 1BH

United Kingdom

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F	X		Form 40-F	

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934

Yes			No	X

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

Date 27 January 2005

Number

02/05

BHP BILLITON PRODUCTION REPORT FOR THE QUARTER ENDED
31 DECEMBER 2004

BHP Billiton today released its production report for the quarter ended 31 December 2004. Unless otherwise stated, production volumes refer to BHP Billiton share.

- **Record quarterly iron ore, metallurgical coal and manganese alloy production underpinned by continuing strong customer demand.**
- **Record quarterly natural gas production of 87.4 billion cubic feet following the commissioning of North West Shelf (Australia) fourth train in September 2004.**
- **Record quarterly silver production of 12.4 million ounces reflecting the benefits of a continuing debottlenecking program at Cannington (Australia).**
- **First oil production from the newly commissioned ROD (Algeria) field.**

- Total Petroleum Products

- Total production for the December 2004 quarter was 29.4 million barrels of oil equivalent, three per cent lower than the December 2003 quarter and five per cent higher than the September 2004 quarter.

♦ Oil and Condensate - Production for the December 2004 quarter was 12.2 million barrels, 18 per cent lower than the 14.9 million barrels produced in the December 2003 quarter. Production was lower due to natural field decline in Bass Strait, Laminaria, Griffin (all Australia), Liverpool Bay (UK) and Typhoon/Boris (USA). Higher downtime at Bass Strait, Laminaria and Wanaea/Cossack (Australia) and the divestment in February 2004 of our producing assets in Bolivia also impacted production for the quarter. This was partly offset by new production resulting from the commissioning of ROD (Algeria) in October 2004. Production for the quarter was one per cent lower than the 12.4 million barrels produced in the September 2004 quarter due to natural field decline at Bass Strait, Typhoon/Boris and higher downtime in Bass Strait, Laminaria and Wanaea/Cossack. This was partly offset by maintenance shutdowns in the previous quarter at Liverpool Bay and Bruce (UK) and new production from ROD.

♦ Natural Gas - Production for the December 2004 quarter was a record 87.4 billion cubic feet, 13 per cent higher than the 77.6 billion cubic feet produced in the December 2003 quarter. This was due to higher demand for Bass Strait gas and increased production from North West Shelf LNG following the commissioning of the 4th LNG Train in September 2004. Production for the December 2004 quarter was 13 per cent higher than the 77.2 billion cubic feet produced in the September 2004 quarter due to increased production from North West Shelf LNG with the commencement of the 4th LNG

Train and the maintenance shutdowns at Liverpool Bay and Bruce in the previous quarter. This was partially offset by lower demand for Bass Strait gas due to seasonal conditions.

- **Alumina -**
  Production for the December 2004 quarter of 1.0 million tonnes was in line with the December 2003 quarter. Production was four per cent higher than the September 2004 quarter reflecting improving calciner performance at Worsley (Australia) and scheduled maintenance undertaken at Alumar (Brazil) in the previous quarter.

- **Aluminium**
  - Production for the December 2004 quarter was 338,000 tonnes, 10 per cent higher than the December 2003 quarter. This primarily reflects the ramp up of production from Hillside 3 (South Africa) which reached full commissioning in December 2003. December 2003 quarter production was also impacted by an electrical outage at Alumar. Production was in line with the September 2004 quarter.

- **Copper -** Production for the December 2004 quarter was 265,800 tonnes, 17 per cent higher than the December 2003 quarter. This mainly reflects restoration of full capacity and higher head grades at Escondida (Chile) and Tintaya (Peru), along with record production at Antamina (Peru) following the return to their normal mine plan after the removal of lakebed sediments. These increases were partly offset by the sale of the Group's interest in Highland Valley Copper (Canada) in January 2004. Production was seven per cent higher than the September 2004 quarter due to higher head grades at Tintaya, Antamina and Cerro Colorado and higher mill throughput at Escondida.

- Silver - Production for the December 2004 quarter was a record 12.4 million ounces, 24 per cent higher than the December 2003 quarter and five per cent higher than the September 2004 quarter. This mainly reflects record quarterly mill throughput at Cannington (Australia) resulting from a continuing debottlenecking program.

- Iron Ore - Production for the December 2004 quarter was a record 24.9 million tonnes, 15 per cent higher than the December 2003 quarter and 11 per cent higher than the September 2004 quarter. The increase reflects additional capacity following the completion of several expansion projects at Western Australian Iron Ore (Australia) and record production at Samarco (Brazil), underpinned by continuing strong customer demand. Western Australian Iron Ore shipments were a record 22.1 million tonnes in the December 2004 quarter.

- Metallurgical Coal - Production for the December 2004 quarter was a record 9.6 million tonnes, 14 per cent higher than the December 2003 quarter. This reflects record quarterly production at Queensland Coal (Australia) underpinned by strong customer demand and improved operating performance at Illawarra Coal (Australia). Production was four per cent higher than the September 2004 quarter. This primarily reflects higher production at Illawarra Coal following longwall changeouts at Appin and Elouera and industrial activity at Elouera in the September 2004 quarter.

- Manganese ore - Ore production for the December 2004 quarter was 1.4 million tonnes, 14 per cent higher than the December 2003 quarter. Production increased to meet strong customer demand in all markets, particularly China, Japan and Europe. Production was in line with the September 2004 quarter.

- Manganese alloys - Production for the December 2004 quarter was a record 207,000 tonnes, 13 per cent higher than the December 2003 quarter. This primarily reflects improved operating performance at Metalloys (South Africa) and increased production at TEMCO (Australia) in response to strong customer demand. Production was six per cent higher than the September 2004 quarter, reflecting improved operating performance at Metalloys.

- Diamonds - Production of 872,000 carats at Ekati (Canada) was 49 per cent lower than the December 2003 quarter. This decrease primarily reflects processing of lower grade ore in the December 2004 quarter after mining of a high grade zone in the Koala pipe was completed in the June 2004 quarter. Production was 12 per cent lower than the September 2004 quarter, primarily due to processing of lower grade ore in the current quarter.

- **Energy Coal -**
  Production for the December 2004 quarter was 21.4 million tonnes, seven per cent higher than the December 2003 quarter. This primarily reflects lower production in the December 2003 quarter at New Mexico Coal (USA), due to a planned major outage at a customer's power plant and a longwall move at San Juan underground. Production was eight per cent lower than the September 2004 quarter, primarily due to safety interventions at Ingwe's (South Africa) Douglas mine, adverse weather conditions at Cerrejon Coal (Colombia) and the impact of an excavator fire at Hunter Valley Coal (Australia) in the previous quarter.

- **Nickel**
  - Production for the December 2004 quarter was 19,700 tonnes, two per cent lower than the December 2003 quarter. This primarily reflects lower production at Yabulu (Australia) due to a planned plant wide shutdown in October 2004. Production was in line with the September 2004 quarter.

- **Ferrochrome -** Production for the December 2004 quarter was 271,000 tonnes, in line with both the December 2003 and September 2004 quarters.

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Further information on BHP Billiton can be found on our Internet site: http://www.bhpbilliton.com

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BHP BILLITON PRODUCTION SUMMARY									
			QUARTER ENDED			HALF YEAR ENDED		% CHANGE	

			DEC 2003	SEPT 2004	DEC 2004	DEC 2004	DEC 2003	DEC Q04 vs DEC Q03	DEC Q04 vs SEP Q04	YTD 04 vs YTD 03
PETROLEUM										
	Crude oil & condensate	('000 bbl)	14,877	12,366	12,190	24,556	30,389	-18%	-1%	-19%
	Natural gas	(bcf)	77.57	77.19	87.35	164.54	162.76	13%	13%	1%
	LPG	('000 tonnes)	200.51	231.03	216.07	447.10	399.84	8%	-6%	12%
	Ethane	('000 tonnes)	25.25	27.75	27.20	54.95	52.57	8%	-2%	5%
	Total Petroleum Products	(million boe)	30.24	28.03	29.38	57.41	62.37	-3%	5%	-8%
ALUMINIUM										
	Alumina	('000 tonnes)	1,050	1,000	1,036	2,036	2,103	-1%	4%	-3%
	Aluminium	('000 tonnes)	308	339	338	677	590	10%	0%	15%
BASE METALS										
	Copper	('000 tonnes)	226.8	248.8	265.8	514.6	441.3	17%	7%	17%
	Lead	(tonnes)	55,211	64,910	71,509	136,419	114,575	30%	10%	19%
	Zinc	(tonnes)	45,912	23,851	20,918	44,769	95,006	-54%	-12%	-53%
	Gold	(ounces)	32,085	30,132	31,247	61,379	61,255	-3%	4%	0%
	Silver	('000 ounces)	9,980	11,769	12,353	24,121	20,576	24%	5%	17%
	Molybdenum	(tonnes)	290	323	560	883	615	93%	73%	44%
CARBON STEEL MATERIALS										
	Iron ore	('000 tonnes)	21,728	22,545	24,916	47,461	42,598	15%	11%	11%
	Metallurgical coal	('000 tonnes)	8,445	9,277	9,629	18,906	17,544	14%	4%	8%
	Manganese ores	('000 tonnes)	1,199	1,379	1,361	2,740	2,352	14%	-1%	16%
	Manganese alloys	('000 tonnes)	183	195	207	402	330	13%	6%	22%

	Hot briquetted iron	('000 tonnes)	527	-	-	-	1,023	-100%	0%	-100%
DIAMONDS AND SPECIALTY PRODUCTS									
	Diamonds	('000 carats)	1,704	986	872	1,858	3,256	-49%	-12%	-43%
ENERGY COAL									
	Energy coal	('000 tonnes)	19,978	23,245	21,389	44,634	41,112	7%	-8%	9%
STAINLESS STEEL MATERIALS									
	Nickel	('000 tonnes)	20.0	19.6	19.7	39.3	40.6	-2%	1%	-3%
	Ferrochrome	('000 tonnes)	269	265	271	536	496	1%	2%	8%
Throughout this report figures in italics indicate that this figure has been adjusted since it was previously reported.									

BHP BILLITON ATTRIBUTABLE PRODUCTION								
			QUARTER ENDED				HALF YEAR ENDED	
		BHP Billiton	DEC	MARCH	JUNE	SEPT	DEC	DEC	DEC
		Interest	2003	2004	2004	2004	2004	2004	2003
PETROLEUM									
Production									
	Crude oil & condensate	(000 bbl)	14,877	14,341	13,297	12,366	12,190	24,556	30,389
	Natural gas	(bcf)	77.57	76.47	85.11	77.19	87.35	164.54	162.76
	LPG	('000 tonnes)	200.51	217.83	235.86	231.03	216.07	447.10	399.84
	Ethane	('000 tonnes)	25.25	16.59	25.14	27.75	27.20	54.95	52.57
	Total Petroleum Products	(million boe)	30.24	29.78	30.32	28.03	29.38	57.41	62.37
ALUMINIUM									

ALUMINA									
Production ('000 tonnes)									
	Worsley	86%	700	704	696	663	686	1,349	1,399
	Suriname	45%	230	228	233	223	222	445	457
	Alumar	36%	120	130	130	114	128	242	247
	Total		1,050	1,062	1,059	1,000	1,036	2,036	2,103
ALUMINIUM									
Production ('000 tonnes)									
	Hillside	100%	151	169	167	173	171	344	286
	Bayside	100%	46	45	46	46	46	92	93
	Alumar	46.3%	36	44	45	44	45	89	67
	Valesul	45.5%	11	11	11	11	11	22	22
	Mozal	47%	64	64	64	65	65	130	122
	Total		308	333	333	339	338	677	590
BASE METALS (a)									
COPPER									
Payable metal in concentrate ('000 tonnes)									
	Escondida	57.5%	109.1	130.8	159.1	142.5	146.3	288.8	225.0
	Tintaya (b)	100%	15.0	22.9	19.6	14.6	22.1	36.7	15.0
	Antamina	33.8%	20.5	24.6	29.9	29.9	33.4	63.3	37.4
	Highland Valley Copper (c)	33.6%	14.2	-	-	-	-	-	28.3
	Selbaie (d)	100%	1.8	0.8	-	-	-	-	3.4
	Total		160.6	179.1	208.6	187.0	201.8	388.8	309.1
Cathode ('000 tonnes)									
	Escondida	57.5%	21.8	21.7	21.8	21.9	22.2	44.1	43.2
	Cerro Colorado	100%	33.0	28.1	31.3	28.3	30.4	58.7	66.1
	Tintaya (b)	100%	9.0	9.3	8.7	9.3	9.1	18.4	18.0
	Pinto Valley	100%	2.4	2.4	2.2	2.3	2.3	4.6	4.9
	Total		66.2	61.5	64.0	61.8	64.0	125.8	132.2
LEAD									

Payable metal in concentrate (tonnes)									
	Cannington	100%	55,211	70,838	64,472	64,910	71,509	136,419	114,575
	Total		55,211	70,838	64,472	64,910	71,509	136,419	114,575
ZINC									
Payable metal in concentate (tonnes)									
	Cannington	100%	11,692	13,589	13,493	10,968	13,956	24,924	26,542
	Antamina	33.8%	27,026	19,099	15,545	12,883	6,962	19,845	54,959
	Selbaie (d)	100%	7,194	2,506	-	-	-	-	13,505
	Total		45,912	35,194	29,038	23,851	20,918	44,769	95,006
	Refer footnotes on page 4.								
BASE METALS (continued)									
GOLD									
Payable metal in concentrate (ounces)									
	Escondida	57.5%	24,833	27,492	26,044	25,370	24,475	49,845	49,849
	Tintaya (b)	100%	2,658	4,009	5,101	4,762	6,772	11,534	2,658
	Selbaie (d)	100%	3,428	1,413	-	-	-	-	6,557
	Highland Valley Copper (c)	33.6%	1,166	-	-	-	-	-	2,191
	Total		32,085	32,914	31,145	30,132	31,247	61,379	61,255
SILVER									
Payable metal in concentrate ('000 ounces)									
	Cannington	100%	8,287	10,485	9,471	10,339	11,025	21,364	17,464
	Escondida	57.5%	550	614	720	604	639	1,243	1,111
	Antamina	33.8%	494	588	662	692	503	1,195	929
	Tintaya (b)	100.0%	170	239	200	134	186	319	170
	Highland Valley Copper (c)	33.6%	163	-	-	-	-	-	323
	Selbaie (d)	100%	316	138	-	-	-	-	579

	Total		9,980	12,064	11,053	11,769	12,353	24,121	20,576
MOLYBDENUM									
Payable metal in concentrate (tonnes)									
	Antamina	33.8%	20	81	240	323	560	883	45
	Highland Valley Copper (c)	33.6%	270	-	-	-	-	-	570
	Total		290	81	240	323	560	883	615
CARBON STEEL MATERIALS									
IRON ORE (e)									
Production ('000 tonnes)									
	Mt Newman Joint Venture	85%	6,707	6,031	5,084	6,157	6,611	12,768	13,346
	Goldsworthy Joint Venture	85%	1,477	1,348	1,386	1,038	1,037	2,075	3,110
	Area C Joint Venture	85%	1,048	1,768	2,519	2,990	4,358	7,348	1,389
	Yandi Joint Venture	85%	9,005	8,429	8,046	8,767	9,238	18,005	17,684
	Jimblebar	100%	1,520	1,647	1,566	1,675	1,622	3,297	3,142
	Samarco	50%	1,971	1,862	1,936	1,918	2,050	3,968	3,927
	Total		21,728	21,085	20,537	22,545	24,916	47,461	42,598
METALLURGICAL COAL (f)									
Production ('000 tonnes)									
	BMA	50%	5,395	5,263	6,285	6,231	6,184	12,415	10,986
	BHP Mitsui Coal (g)	80%	1,591	1,811	1,653	1,748	1,822	3,570	3,517
	Illawarra	100%	1,459	1,458	1,346	1,298	1,623	2,921	3,041
	Total		8,445	8,532	9,284	9,277	9,629	18,906	17,544
MANGANESE ORES									

Saleable production ('000 tonnes)									
	South Africa (h)	60%	651	604	647	632	639	1,271	1,251
	Australia (h)	60%	548	660	690	747	722	1,469	1,101
	Total		1,199	1,264	1,337	1,379	1,361	2,740	2,352
MANGANESE ALLOYS									
Saleable production ('000 tonnes)									
	South Africa (h)	60%	122	116	131	121	136	257	215
	Australia (h)	60%	61	63	72	74	71	145	115
	Total		183	179	203	195	207	402	330
	Refer footnotes on page 4.								
CARBON STEEL MATERIALS (cont'd)									
HOT BRIQUETTED IRON									
Production ('000 tonnes)									
	Boodarie™ Iron (i)	100%	527	399	294	-	-	-	1,023
DIAMONDS AND SPECIALTY PRODUCTS									
DIAMONDS									
Production ('000 carats)									
	Ekati™	80%	1,704	1,015	1,211	986	872	1,858	3,256
ENERGY COAL									
Production ('000 tonnes)									
	South Africa	100%	13,472	13,231	13,768	14,588	13,745	28,333	27,254
	USA	100%	2,829	3,687	3,154	3,899	3,731	7,630	6,389
	Australia	100%	2,054	2,318	2,590	2,595	2,189	4,784	3,810
	Colombia	33%	1,623	2,043	1,982	2,163	1,724	3,887	3,659
	Total		19,978	21,279	21,494	23,245	21,389	44,634	41,112

STAINLESS STEEL MATERIALS									
NICKEL									
Production ('000 tonnes)									
	CMSA	99.8%	12.2	12.5	12.0	11.9	12.4	24.3	24.6
	Yabulu	100%	7.8	8.7	7.9	7.7	7.3	15.0	16.0
	Total		20.0	21.2	19.9	19.6	19.7	39.3	40.6
FERROCHROME									
Saleable production ('000 tonnes)									
	South Africa (h)	60%	269	266	264	265	271	536	496
	(a) Metal production is reported on the basis of payable metal.								
	(b) Sulphide production at Tintaya was suspended in January 2002 due to weak market conditions,								
	and recommenced during August 2003.								
	(c) BHP Billiton sold its interest in Highland Valley Copper with effect from January 3, 2004.								
	(d) Production at Selbaie ceased in February 2004, in accordance with mine plan. Shipments ceased in May 2004.								
	(e) Iron ore production is reported on a wet tonnes basis.								
	(f) Metallurgical coal production is reported on the basis of saleable product. Production figures include some thermal coal.								
	(g) Shown on 100% basis. BHP Billiton interest in saleable production is 80%.								
	(h) Shown on 100% basis. BHP Billiton interest in saleable production is 60%.								
	(i) Production was suspended at Boodarie Iron following an incident in May 2004 and the plant was placed								
	on care and maintenance in November 2004.								

PRODUCTION AND SHIPMENT REPORT									
			QUARTER ENDED					HALF YEAR ENDED	
			DEC	MARCH	JUNE	SEPT	DEC	DEC	DEC
			2003	2004	2004	2004	2004	2004	2003
PETROLEUM									
BHP Billiton attributable production unless otherwise stated.									
CRUDE OIL & CONDENSATE ('000 barrels)									
	Bass Strait		5,333	5,174	4,641	4,835	4,226	9,061	11,205
	North West Shelf - condensate		1,204	1,352	1,367	1,330	1,274	2,604	2,695
	North West Shelf - Wanaea/Cossack		1,675	1,519	1,357	1,475	1,272	2,747	3,279
	Laminaria		966	928	803	597	472	1,069	2,117
	Griffin		563	380	585	414	473	887	1,305
	Pakistan		53	50	49	50	54	104	106
	Typhoon/Boris		1,605	1,457	1,462	1,461	1,290	2,751	2,819
	Americas		586	332	213	181	180	361	1,194
	Liverpool Bay		2,061	1,926	1,788	1,344	1,858	3,202	4,385
	Bruce/Keith		387	423	388	121	321	442	840
	Ohanet (a)		444	800	644	558	432	990	444
	ROD (b)		-	-	-	-	338	338	-
	Total		14,877	14,341	13,297	12,366	12,190	24,556	30,389
NATURAL GAS (billion cubic feet)									
	Bass Strait		23.86	24.95	34.62	35.61	27.44	63.05	56.90
	North West Shelf - Domestic		3.95	3.91	3.76	3.50	3.51	7.01	7.94
	North West Shelf - LNG		14.93	13.74	15.43	17.78	22.36	40.14	31.67
	Griffin		0.90	0.44	0.67	0.68	0.71	1.39	1.86
	Moranbah Coal Bed Methane (c)		-	-	-	-	0.53	0.53	-
	Illawarra Coal Bed Methane (d)		-	-	-	1.34	1.65	2.99	-

	Pakistan		7.83	7.51	7.10	7.69	7.87	15.56	15.69
	Typhoon/Boris		2.41	2.14	2.13	2.32	2.53	4.85	3.99
	Americas		3.73	2.60	2.75	1.99	2.05	4.04	6.98
	Bruce		8.52	9.27	8.29	2.23	7.25	9.48	17.29
	Keith		0.08	0.17	0.20	0.03	0.14	0.17	0.19
	Liverpool Bay		11.36	11.74	10.16	4.02	11.31	15.33	20.25
	Total		77.57	76.47	85.11	77.19	87.35	164.54	162.76
LPG ('000 tonnes)									
	Bass Strait		130.02	111.26	136.52	145.85	127.70	273.55	280.21
	North West Shelf		28.11	29.59	32.95	34.66	29.43	64.09	62.32
	Bruce		17.71	18.40	18.64	6.63	18.03	24.66	31.83
	Keith		0.31	0.82	0.63	0.30	0.62	0.92	1.12
	Ohanet (a)		24.36	57.76	47.12	43.59	40.29	83.88	24.36
	Total		200.51	217.83	235.86	231.03	216.07	447.10	399.84
ETHANE ('000 tonnes)			25.25	16.59	25.14	27.75	27.20	54.95	52.57
TOTAL PETROLEUM PRODUCTS			30.24	29.78	30.32	28.03	29.38	57.41	62.37
(million barrels of oil equivalent) (e)									
	(a) Ohanet commenced production in October 2003.								
	(b) ROD commenced production in October 2004.								
	(c) Moranbah Coal Bed Methane commenced production in September 2004 and was first reported in December 2004.								
	(d) Illawarra Coal Bed Methane production was first reported in December 2004.								
	(e) Total barrels of oil equivalent (boe) conversions are based on the following:								
	6000 scf of natural gas equals 1 boe								
	1 tonne of LPG equals 11.6 boe								
	1 tonne of ethane equals 4.4667 boe								

PRODUCTION AND SHIPMENT REPORT							
			QUARTER ENDED				

									HALF YEAR ENDED	
			DEC	MARCH	JUNE	SEPT	DEC	DEC	DEC
			2003	2004	2004	2004	2004	2004	2003
ALUMINIUM									
BHP Billiton attributable production and sales unless otherwise stated.									
('000 tonnes)									
ALUMINA									
	Production								
	Worsley, Australia		700	704	696	663	686	1,349	1,399
	Paranam, Suriname		230	228	233	223	222	445	457
	Alumar, Brazil		120	130	130	114	128	242	247
	Total		1,050	1,062	1,059	1,000	1,036	2,036	2,103
	Sales								
	Worsley, Australia		740	652	732	667	681	1,348	1,437
	Paranam, Suriname		250	233	214	239	221	460	471
	Alumar, Brazil		128	144	111	129	131	260	248
	Total		1,118	1,029	1,057	1,035	1,033	2,068	2,156
ALUMINIUM									
	Production								
	Hillside, South Africa		151	169	167	173	171	344	286
	Bayside, South Africa		46	45	46	46	46	92	93
	Alumar, Brazil		36	44	45	44	45	89	67
	Valesul, Brazil		11	11	11	11	11	22	22
	Mozal, Mozambique		64	64	64	65	65	130	122
	Total		308	333	333	339	338	677	590
	Sales								
	Hillside, South Africa		145	176	171	155	189	344	279
			35	49	45	45	41	86	89

	Bayside, South Africa								
	Alumar, Brazil		25	39	55	43	44	87	63
	Valesul, Brazil		12	11	12	12	11	23	23
	Mozal, Mozambique		40	78	56	59	69	128	101
	Total		257	353	339	314	354	668	555

PRODUCTION AND SHIPMENT REPORT

			QUARTER ENDED					HALF YEAR ENDED	
			DEC	MARCH	JUNE	SEPT	DEC	DEC	DEC
			2003	2004	2004	2004	2004	2004	2003
BASE METALS									
BHP Billiton attributable production and sales unless otherwise stated. Metals production is payable metal unless otherwise stated.									
Escondida, Chile									
	Material mined (100%)	('000 tonnes)	82,909	83,640	95,757	100,466	97,512	197,978	152,251
	Sulphide ore milled (100%)	('000 tonnes)	18,299	19,620	21,197	20,637	20,926	41,563	37,187
	Average copper grade	(%)	1.31%	1.48%	1.61%	1.47%	1.47%	1.47%	1.32%
	Production ex Mill (100%)	('000 tonnes)	197.1	239.6	284.2	256.8	265.1	521.9	405.3
	Production								
	Payable copper	('000 tonnes)	109.1	130.8	159.1	142.5	146.3	288.8	225.0
	Payable gold concentrate	(fine ounces)	24,833	27,492	26,044	25,370	24,475	49,845	49,849
	Copper cathode (SXEW)	('000 tonnes)	21.8	21.7	21.8	21.9	22.2	44.1	43.2
	Payable silver concentrate	('000 ounces)	550	614	720	604	639	1,243	1,111
	Sales								
	Payable copper	('000 tonnes)	114.8	127.3	150.4	140.0	148.3	288.3	231.0

	Payable gold concentrate	(fine ounces)	26,984	28,545	24,874	24,732	25,462	50,194	52,319
	Copper cathode (SXEW)	('000 tonnes)	23.8	26.2	21.3	22.7	22.7	45.4	41.9
	Payable silver concentrate	('000 ounces)	634	612	683	582	690	1,272	1,208
Tintaya, Peru (a)									
	Material mined	('000 tonnes)	17,450	17,206	17,944	18,676	17,486	36,162	21,601
	Ore milled	('000 tonnes)	1,408	1,609	1,616	1,621	1,564	3,185	1,408
	Average copper grade	(%)	1.38%	1.61%	1.45%	1.14%	1.64%	1.39%	1.38%
	Production								
	Payable copper	('000 tonnes)	15.0	22.9	19.6	14.6	22.1	36.7	15.0
	Payable gold concentrate	(fine ounces)	2,658	4,009	5,101	4,762	6,772	11,534	2,658
	Copper cathode (SXEW)	('000 tonnes)	9.0	9.3	8.7	9.3	9.1	18.4	18.0
	Payable silver concentrate	('000 ounces)	170	239	200	134	186	319	170
	Sales								
	Payable copper	('000 tonnes)	10.6	23.1	20.6	5.7	25.9	31.6	10.6
	Payable gold concentrate	(fine ounces)	3,086	4,372	4,100	1,219	8,491	9,710	3,086
	Copper cathode (SXEW)	('000 tonnes)	8.7	8.2	8.4	10.4	8.1	18.5	17.6
	Payable silver concentrate	('000 ounces)	100	240	226	64	234	298	100
	(a) Sulphide production at Tintaya was suspended in January 2002 due to weak market conditions.								
	Sulphide mining operations recommenced during August 2003.								
Cerro Colorado, Chile									
	Material mined	('000 tonnes)	19,855	16,199	16,697	17,554	16,378	33,932	40,187

	Ore milled	('000 tonnes)	4,405	3,700	4,330	4,232	4,362	8,594	8,751
	Average copper grade	(%)	1.00%	0.92%	0.90%	0.87%	0.91%	0.89%	1.00%
	Production								
	Copper cathode	('000 tonnes)	33.0	28.1	31.3	28.3	30.4	58.7	66.1
	Sales								
	Copper cathode	('000 tonnes)	35.2	27.8	35.5	28.9	28.2	57.1	64.1
Antamina, Peru									
	Material mined (100%)	('000 tonnes)	28,474	28,588	36,035	33,177	33,201	66,378	58,648
	Ore milled (100%)	('000 tonnes)	7,273	6,954	8,205	8,069	8,027	16,096	13,291
	Average head grades								
	- Copper	(%)	1.17%	1.26%	1.37%	1.26%	1.45%	1.35%	1.17%
	- Zinc	(%)	1.77%	1.48%	0.97%	1.02%	0.47%	0.75%	1.95%
	Production								
	Payable copper	('000 tonnes)	20.5	24.6	29.9	29.9	33.4	63.3	37.4
	Payable zinc	(tonnes)	27,026	19,099	15,545	12,883	6,962	19,845	54,959
	Payable silver	('000 ounces)	494	588	662	692	503	1,195	929
	Payable molybdenum	('000 tonnes)	20	81	240	323	**560**	**883**	45
	Sales								
	Payable copper	('000 tonnes)	22.6	20.2	26.4	32.1	32.2	64.3	41.2
	Payable zinc	(tonnes)	26,928	14,219	19,931	13,617	4,185	17,802	53,709
	Payable silver	('000 ounces)	491	423	655	624	632	1,256	911
	Payable molybdenum	('000 tonnes)	30	43	110	160	**300**	**460**	44
Cannington, Australia									

	Material mined	('000 tonnes)	699	729	681	828	844	1,672	1,336
	Ore milled	('000 tonnes)	598	698	724	730	825	1,555	1,187
	Average head grades								
	- Silver	(g/t)	497	539	486	504	500	502	530
	- Lead	(%)	10.5%	11.4%	10.8%	10.3%	10.0%	10.1%	11.0%
	- Zinc	(%)	3.4%	3.5%	3.4%	3.1%	3.0%	3.0%	3.7%
	Production								
	Payable silver	('000 ounces)	8,287	10,485	9,471	10,339	11,025	21,364	17,464
	Payable lead	(tonnes)	55,211	70,838	64,472	64,910	71,509	136,419	114,575
	Payable zinc	(tonnes)	11,692	13,589	13,493	10,968	13,956	24,924	26,542
	Sales								
	Payable silver	('000 ounces)	10,716	8,569	12,583	9,266	9,006	18,272	17,481
	Payable lead	(tonnes)	69,447	56,259	84,315	62,774	57,286	120,060	113,400
	Payable zinc	(tonnes)	15,443	12,790	13,410	12,170	9,146	21,316	31,666
Pinto Valley, USA									
	Production								
	Copper cathode (SXEW)	('000 tonnes)	2.4	2.4	2.2	2.3	2.3	4.6	4.9
	Sales								
	Copper cathode (SXEW)	('000 tonnes)	2.4	2.3	2.3	1.5	1.8	3.3	4.9

PRODUCTION AND SHIPMENT REPORT									
			QUARTER ENDED					HALF YEAR ENDED	
			DEC	MARCH	JUNE	SEPT	DEC	DEC	DEC
			2003	2004	2004	2004	2004	2004	2003
CARBON STEEL MATERIALS									
BHP Billiton attributable production and sales unless otherwise stated.									
('000 tonnes)									

IRON ORE (a)								
Pilbara, Australia								
Production								
Mt Newman Joint Venture		6,707	6,031	5,084	6,157	6,611	12,768	13,346
Goldsworthy Joint Venture		1,477	1,348	1,386	1,038	1,037	2,075	3,110
Area C Joint Venture		1,048	1,768	2,519	2,990	4,358	7,348	1,389
Yandi Joint Venture		9,005	8,429	8,046	8,767	9,238	18,005	17,684
Jimblebar		1,520	1,647	1,566	1,675	1,622	3,297	3,142
Total (BHP Billiton share)		19,757	19,223	18,601	20,627	22,866	43,493	38,671
Total production (100%)		22,975	22,326	21,608	23,971	26,615	50,586	44,940
Shipments								
Lump		5,169	5,402	5,064	5,530	6,084	11,614	10,067
Fines		13,968	13,181	14,067	14,544	16,052	30,596	27,302
Total (BHP Billiton share)		19,137	18,583	19,131	20,074	22,136	42,210	37,369
Total shipments (100%)		22,515	21,862	22,507	23,617	26,042	49,659	43,965
(a) Iron ore production and shipments are reported on a wet tonnes basis.								
Samarco, Brazil								
Production		1,971	1,862	1,936	1,918	2,050	3,968	3,927
Shipments		1,886	1,918	1,994	1,976	2,142	4,118	3,899
METALLURGICAL COAL (a)								
Queensland, Australia								
Production								
BMA								
Blackwater		1,581	1,508	1,864	1,638	1,709	3,347	3,159
Goonyella		829	1,019	935	1,112	1,254	2,366	1,823

	Peak Downs		1,004	881	1,223	1,198	1,164	2,362	2,008
	Saraji		655	703	806	809	812	1,621	1,402
	Norwich Park		582	556	682	700	680	1,380	1,106
	Gregory Joint Venture		744	596	775	774	565	1,339	1,488
	BMA total		5,395	5,263	6,285	6,231	6,184	12,415	10,986
	BHP Mitsui Coal (b)								
	Riverside		812	967	575	910	951	1,861	1,781
	South Walker Creek		779	844	1,078	838	871	1,709	1,736
	BHP Mitsui Coal total		1,591	1,811	1,653	1,748	1,822	3,570	3,517
	Queensland total		6,986	7,074	7,938	7,979	8,006	15,985	14,503
	Shipments								
	Coking coal		5,258	5,116	4,777	5,188	5,801	10,989	10,096
	Weak coking coal		1,649	1,585	1,569	1,665	1,722	3,387	3,266
	Thermal coal		987	803	756	743	527	1,270	1,788
	Total		7,894	7,504	7,102	7,596	8,050	15,646	15,150
	(a) Metallurgical coal production is reported on the basis of saleable product. Production figures include some thermal coal.								
	(b) Shown on 100% basis. BHP Billiton interest in saleable production is 80%.								
Illawarra, Australia									
	Production		1,459	1,458	1,346	1,298	1,623	2,921	3,041
	Shipments								
	Coking coal		1,293	1,359	1,215	1,097	1,610	2,707	2,806
	Thermal coal		47	134	114	82	144	226	138
	Total		1,340	1,493	1,329	1,179	1,754	2,933	2,944
MANGANESE ORES									
South Africa									
	Saleable		651	604	647	632	639	1,271	1,251

	production (a)								
Australia									
	Saleable production (a)		548	660	690	747	722	1,469	1,101
MANGANESE ALLOYS									
South Africa									
	Saleable production (a)		122	116	131	121	136	257	215
Australia									
	Saleable production (a)		61	63	72	74	71	145	115
HOT BRIQUETTED IRON									
Boodarie(TM) Iron, Australia									
	Production (b)		527	399	294	-	-	-	1,023
	Shipments		570	436	318	-	-	-	1,005
	(a) Shown on 100% basis. BHP Billiton interest in saleable production is 60%.								
	(b) Production was suspended at Boodarie Iron following an incident in May 2004 and the plant was								
	placed on care and maintenance in November 2004.								

PRODUCTION AND SHIPMENT REPORT									
			QUARTER ENDED					HALF YEAR ENDED	
			DEC	MARCH	JUNE	SEPT	DEC	DEC	DEC
			2003	2004	2004	2004	2004	2004	2003
DIAMONDS AND SPECIALTY PRODUCTS									

BHP Billiton attributable production and sales unless otherwise stated.									
DIAMONDS									
Ekati(TM), Canada									
	Ore Processed (100%)	('000 tonnes)	1,123	1,052	1,207	1,184	1,094	2,278	2,187
	Production	('000 carats)	1,704	1,015	1,211	986	872	1,858	3,256

PRODUCTION AND SHIPMENT REPORT									
			QUARTER ENDED					HALF YEAR ENDED	
			DEC	MARCH	JUNE	SEPT	DEC	DEC	DEC
			2003	2004	2004	2004	2004	2004	2003
ENERGY COAL									
BHP Billiton attributable production and sales unless otherwise stated.									
('000 tonnes)									
Ingwe, South Africa									
	Production		13,472	13,231	13,768	14,588	13,745	28,333	27,254
	Sales								
	Export		5,500	5,354	4,830	5,551	4,750	10,301	10,774
	Local utility		7,701	7,579	8,426	8,546	8,106	16,652	15,916
	Inland		326	330	361	383	308	691	664
	Total		13,527	13,263	13,617	14,480	13,164	27,644	27,354
New Mexico, USA									
	Production								
	Navajo Coal		1,553	1,709	1,714	2,083	1,765	3,848	3,793
	San Juan Coal		1,276	1,978	1,440	1,816	1,966	3,782	2,596
	Total		2,829	3,687	3,154	3,899	3,731	7,630	6,389
	Sales - local utility		3,327	3,213	3,353	3,897	3,739	7,636	7,040
Hunter Valley, Australia									

	Production		2,054	2,318	2,590	2,595	2,189	4,784	3,810
	Sales								
	Export		861	1,729	1,734	1,440	1,201	2,641	1,813
	Inland		633	1,044	958	1,220	595	1,815	1,506
	Total		1,494	2,773	2,692	2,660	1,796	4,456	3,319
Cerrejon Coal, Colombia									
	Production		1,623	2,043	1,982	2,163	1,724	3,887	3,659
	Sales - export		1,999	1,828	2,283	2,166	1,954	4,120	3,965

PRODUCTION AND SHIPMENT REPORT									
			QUARTER ENDED					HALF YEAR ENDED	
			DEC	MARCH	JUNE	SEPT	DEC	DEC	DEC
			2003	2004	2004	2004	2004	2004	2003
STAINLESS STEEL MATERIALS									
BHP Billiton attributable production and sales unless otherwise stated.									
('000 tonnes)									
NICKEL									
CMSA, Colombia									
	Production		12.2	12.5	12.0	11.9	12.4	24.3	24.6
	Sales		13.1	11.2	12.8	10.6	13.3	23.9	24.2
Yabulu, Australia									
	Production								
	Nickel		7.8	8.7	7.9	7.7	7.3	15.0	16.0
	Cobalt		0.5	0.5	0.5	0.5	0.4	0.9	0.9
	Sales								
	Nickel		8.4	8.0	7.9	7.7	7.8	15.5	16.2
	Cobalt		0.5	0.5	0.4	0.4	0.5	0.9	0.9
FERROCHROME									
South Africa									

	Saleable production (a)		269	266	264	265	271	536	496
	(a) Shown on 100% basis. BHP Billiton interest in saleable production is 60%.								

BHP Billiton Limited ABN 49 004 028 077

Registered in Australia
Registered Office: Level 27, 180 Lonsdale Street Melbourne Victoria 3000
Telephone +61 1300 554 757 Facsimile +61 3 9609 3015

BHP Billiton Plc Registration number 3196209

Registered in England and Wales
Registered Office: Neathouse Place London SW1V 1BH United Kingdom
Telephone +44 20 7802 4000 Facsimile +44 20 7802 4111

The BHP Billiton Group is headquartered in Australia

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.

BHP BILLITON

Plc
/s/ KAREN WOOD
____

Karen Wood
Title: Company Secretary
Date:

27 January 2005 left" valign="bottom">

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

Table of Contents

International Microwave Segment

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

Fiscal 2009 Compared with Fiscal 2008

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

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

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

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

Fiscal 2008 Compared with Fiscal 2007

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

Table of Contents

Our International Microwave segment had an operating loss of $5.7 million in fiscal 2008 compared with $31.3 million in fiscal 2007 due to the following charges and expenses included in fiscal 2008 compared with similar types of charges in fiscal 2007:

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

Network Operations Segment

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

Fiscal 2009 Compared with Fiscal 2008

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

Fiscal 2008 Compared with Fiscal 2007

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

driven by product mix including an increase in higher margin software and license revenue and a decrease in S&A expenses as a percentage of revenue.

Related Party Transactions

Prior to the Stratex acquisition, Harris provided information services, human resources, financial shared services, facilities, legal support and supply chain management services to us. The charges for those services were billed to us primarily based on actual usage. On January 26, 2007, we entered into a Transition Services Agreement with Harris to provide for certain services during the periods subsequent to the Stratex acquisition. These services also are charged to us based primarily on actual usage and include database management, supply chain operating systems, eBusiness services, sales and service, financial systems, back office material resource planning support, HR systems, internal and information systems shared services support, network management and help desk support and server administration and support. During fiscal 2009, 2008 and 2007, Harris charged us $5.5 million,

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

We have sales to, and purchases from, other Harris entities from time to time. Prior to January 26, 2007, the entity initiating the transaction sold to the other Harris entity at cost or transfer price, depending on jurisdiction. The entity making the sale to the end customer recorded the profit on the transaction above cost or transfer price, depending on jurisdiction. Subsequent to January 26, 2007, these purchases and sales are recorded at market price. Our sales to other Harris entities were $6.0 million, $3.5 million and $1.9 million in fiscal 2009, 2008 and 2007. We also recognized costs associated with related party purchases from Harris of $3.3 million, $6.1 million and $6.7 million for fiscal 2009, 2008 and 2007.

Harris was the primary source of our financing and equity activities through January 26, 2007, the date of the Stratex acquisition. During the seven months ended January 26, 2007, Harris net investment in us was increased by $24.1 million.

Additionally, through the date of the Stratex acquisition, Harris loaned cash to us to fund our international entities, and we distributed excess cash back to Harris. This arrangement ended on January 26, 2007. We recognized interest income and expense on these loans. The amount of interest income and expense in fiscal 2007 was not significant.

The unpaid amounts billed from Harris are included within Due to Harris Corporation on our Consolidated Balance Sheets. Additionally, we have other receivables and payables in the normal course of business with Harris. These amounts are netted within Due to Harris Corporation on our Consolidated Balance Sheets. Total receivables from Harris were $6.3 million and $4.0 million as of July 3, 2009 and June 27, 2008. Total payables to Harris were $3.3 million and $20.8 million as of July 3, 2009 and June 27, 2008.

Prior to January 26, 2007, MCD used certain assets in Canada owned by Harris that were not contributed to us as part of the Combination Agreement. We continue to use these assets in our business and we entered into a 5-year lease agreement to accommodate this use. This agreement is a capital lease under generally accepted accounting principles. As of July 3, 2009, our lease obligation to Harris was $1.4 million of which $0.5 million is a current liability and the related asset amount, net of accumulated amortization of $1.4 million is included in property, plant and equipment. Quarterly lease payments are due to Harris based on the amount of 103% of Harris annual depreciation calculated in accordance with U.S. generally accepted accounting principles.

During the first quarter of fiscal 2008, we recognized an impairment charge of $1.3 million on a portion of these assets which is included in our restructuring charges. We also recognized an increase of $0.4 million to the lease obligation balance during fiscal 2008 from a recapitalization under the lease terms, primarily because of the impairment charge discussed above and a rescheduling of the lease payments. During fiscal 2009 we paid Harris $1.4 million under this capital lease obligation. During fiscal 2008, we paid Harris $3.8 million under this capital lease obligation resulting from the $1.3 million impairment discussed above and the lease payments. Our amortization expense on this capital lease was $1.1 million, $1.8 million and $0.8 million in fiscal 2009, 2008 and 2007. As of July 3, 2009, the future minimum payments for this lease are $0.8 million for fiscal 2010, $0.5 million for fiscal 2011 and $0.2 million for fiscal 2012.

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL STRATEGIES

Sources of Cash

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

Available Credit Facility and Repayment of Debt

As of July 3, 2009, we had $47.5 million of credit available under our $70 million revolving credit facility with two commercial banks as mentioned above. The total amount of revolving credit available was $70 million less $10 million in outstanding short term loans which mature by December 2010, and $12.5 million in outstanding standby letters of credit. The current credit facility for an initial committed amount of $70 million replaced our

Table of Contents

previous credit facility with one commercial bank in the amount of $50 million as of June 30, 2008. As of that date we had outstanding a long-term loan of $8.8 million and $8.6 million in standby letters of credit defined as usage under the previous facility. The $8.8 million in long-term debt was repaid at that time with the proceeds of a $10 million short-term borrowing under the current facility. The standby letters of credit outstanding at that time remained as an obligation to the bank and are not included as usage under the current facility.

The initial commitment of $70 million under the current facility is currently divided equally between Bank of America and Silicon Valley Bank, with each providing $35 million. The initial term of the facility expires in June 2011 and provides for (1) demand borrowings at the greater of Bank of America s prime rate and the Federal Funds rate plus 0.5%, (2) fixed term Eurodollar loans for six months or more as agreed with the banks at LIBOR plus a spread of between 1.25% to 2.00% based on the company s current leverage ratio and (3) the issuance of standby or commercial letters of credit. The facility contains a minimum liquidity ratio covenant and a maximum leverage ratio covenant and is unsecured.

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

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

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

Restructuring and Payments

We have a liability for restructuring activities totaling $7.8 million as of July 3, 2009, of which $5.3 million is classified as a current liability and expected to be paid out in cash over the next year. We expect to fund these future payments with available and cash flow provided by operations.

Table of Contents

Contractual Obligations

As of July 3, 2009, we had contractual cash obligations for repayment of short-term debt and related interest, purchase obligations to acquire goods and services, payments for operating lease commitments, a capital lease obligation to Harris, payments on our restructuring and severance liabilities, redemption of our preference shares and payment of the related required dividend payments and other current liabilities on our balance sheet in the normal course of business. Cash payments due under these contractual obligations are estimated as follows:

	Obligations Due by Fiscal Year (In millions)				
	Total	2010	2011 and 2012	2013 and 2014	After 2014
Short-term debt	$ 10.0	$ 10.0	$	$	$
Interest on short-term debt	0.4	0.4			
Purchase obligations(1)	46.1	46.1			
Operating lease commitments	28.9	12.0	12.4	3.2	1.3
Capital lease obligation to Harris Corporation and others	1.8	0.7	1.1		
Restructuring and severance liabilities	8.5	5.3	3.2		
Redeemable preference shares(2)	8.3				8.3
Dividend requirements on redeemable preference shares(3)	7.6	1.0	2.0	2.0	2.6
Current liabilities on the balance sheet	194.4	194.4			
Total contractual cash obligations	$ 306.0	$ 269.9	$ 18.7	$ 5.2	$ 12.2

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

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

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

Table of Contents

Commercial Commitments

We have entered into commercial commitments in the normal course of business including surety bonds, standby letters of credit and other arrangements with financial institutions and insurers primarily relating to the guarantee of future performance on certain tenders and contracts to provide products and services to customers. As of July 3, 2009, we had commercial commitments on outstanding surety bonds, standby letters of credit, guarantees and other arrangements, as follows:

	Expiration of Commitments by Fiscal Year				
	Total	2010	2011	2012	After 2012
			(In millions)		
Standby letters of credit used for:					
Bids	$ 2.5	$ 2.5	$	$	$
Down payments	5.1	5.1			
Performance	11.1	9.5	1.1	0.1	0.4
Warranty	0.1		0.1		
	18.8	17.1	1.2	0.1	0.4
Surety bonds used for:					
Bids	7.4	7.4			
Warranty	2.0	1.7	0.2	0.1	
Payment guarantees	0.3	0.3			
Performance	71.3	53.3	18.0		
	81.0	62.7	18.2	0.1	
Total commitments	$ 99.8	$ 79.8	$ 19.4	$ 0.2	$ 0.4

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

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

Off-Balance Sheet Arrangements

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

Any obligation under certain guarantee contracts;

A retained or contingent interest in assets transferred to an unconsolidated entity or similar entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets;

Any obligation, including a contingent obligation, under certain derivative instruments; and

Any obligation, including a contingent obligation, under a material variable interest held by the registrant in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the registrant, or engages in leasing, hedging or research and development services with the registrant.

Table of Contents

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

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

Financial Risk Management

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

Exchange Rate Risk

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

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

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

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

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

Table of Contents

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

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

Cash Flow Hedges

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

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

Non-Designated Hedges

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

Credit Risk

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

Table of Contents

relationships with several financial institutions providing foreign currency exchange services in accordance with corporate policy. As a result of the above considerations, we consider the risk of counterparty default to be immaterial.

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

Interest Rate Risk

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

Exposure on Cash Equivalents and Short-term Investments

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

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

The primary objective of our short-term investment activities is to preserve principal while maximizing yields, without significantly increasing risk. Our cash equivalents and short-term investments earn interest at fixed rates; therefore, changes in interest rates will not generate a gain or loss on these investments unless they are sold prior to maturity. Actual gains and losses due to the sale of our investments prior to maturity have been immaterial. The weighted average days to maturity for cash equivalents and short-term investments held as of July 3, 2009 was less than two days, and these investments had an average yield of 0.4% per annum.

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

Exposure on Borrowings

Borrowings under our $70 million revolving credit facility effective as of June 30, 2008 were at an interest rate of either (1) the bank s prime rate or (2) the London Interbank Offered Rate (LIBOR) plus 1.25%. During the fiscal year ended July 3, 2009, we had $10 million of short-term borrowings outstanding under the credit facility and recorded total interest expense of $0.4 million on these borrowings. A 10% change in interest rates on the current borrowings or on future borrowings are not expected to have a material impact on our financial position, results of operations or cash flows since interest on our short-term debt is not material to our overall financial position.

Impact of Foreign Exchange

Approximately 31% of our international business was transacted in non U.S. dollar currency environments in fiscal 2009 compared with 22% in fiscal 2008. The impact of translating the assets and liabilities of foreign operations to U.S. dollars is included as a component of shareholders equity. As of July 3, 2009, the cumulative translation adjustment decreased shareholders equity by $4.4 million compared with an increase of $4.1 million as

51

Table of Contents

of June 27, 2008, an adverse effect totaling $8.5 million during fiscal 2009. As discussed above, we utilize foreign currency hedging instruments to minimize the currency risk of international transactions.

Seasonality

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

Critical Accounting Estimates

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

Revenue Recognition

Provision for Excess and Obsolete Inventory Losses

Goodwill and Intangible Assets

Income Taxes and Tax Valuation Allowances

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

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

The following is not intended to be a comprehensive list of all of our accounting policies or estimates. Our significant accounting policies are more fully described in Note B Significant Accounting Policies in the Notes to Consolidated Financial Statements. In preparing our financial statements and accounting for the underlying transactions and balances, we apply our accounting policies and estimates as disclosed in the Notes. We consider the estimates discussed below as critical to an understanding of our financial statements because their application places the most significant demands on our judgment, with financial reporting results relying on estimates about the effect of matters that are inherently uncertain. Specific risks for these critical accounting estimates are described in the following paragraphs. The impact and any associated risks related to these estimates on our business operations

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

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

Revenue Recognition

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

We often enter into multiple contractual agreements with the same customer. Such agreements are reviewed to determine whether they should be evaluated as one arrangement. If an arrangement, other than a long-term contract, requires the delivery or performance of multiple deliverables or elements, we determine whether the individual elements represent separate units of accounting. We recognize the revenue associated with each element separately. Such revenue, including products with installation services, is recognized as the revenue when each unit of accounting is earned based on the relative fair value of each unit of accounting.

Our assessment of which revenue recognition guidance is appropriate to account for each element in an arrangement can involve significant judgment. The determination of whether software is more than incidental to hardware can impact the timing of revenue recognition.

Revenue from product sales where any software is considered incidental (other than for long-term contracts) and services, are recognized when persuasive evidence of an arrangement exists, delivery has occurred and title and risk of loss has transferred or services have been rendered, the fee is fixed or determinable and collectibility is reasonably assured.

Revenue recognition related to long-term contracts for customized network solutions are recognized using the percentage-of-completion method. In using the percentage-of-completion method, we generally apply the cost-to-cost method of accounting where sales and profits are recorded based on the ratio of costs incurred to estimated total costs at completion. Contracts are combined when specific aggregation criteria. Recognition of profit on long-term contracts requires estimates of: the total contract value; the total cost at completion; and the measurement of progress towards completion. Significant judgment is required when estimating total contract costs and progress to completion on the arrangements as well as whether a loss is expected to be incurred on the contract. Amounts representing contract change orders, claims or other items are included in sales only when they can be reliably estimated and

realization is probable. When adjustments in contract value or estimated costs are determined, any changes from prior estimates are reflected in earnings in the current period. Anticipated losses on contracts or programs in progress are charged to earnings when identified.

For revenue recognition from the sale of software or products which have software which is more than incidental to the product as a whole, the entire fee from the arrangement must be allocated to each of the elements based on the individual element s fair value, which must be based on vendor specific objective evidence of the fair

Table of Contents

value (VSOE). If VSOE cannot be established for the undelivered elements of an arrangement, we defer revenue until the earlier of delivery, or fair value of the undelivered element exists, unless the undelivered element is a service, in which the entire arrangement fee is recognized ratably over the period during which the services are expected to be performed.

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

Provisions for Excess and Obsolete Inventory Losses

As of July 3, 2009, our reserve for excess and obsolete inventory was $49.9 million, or 33.6% of the gross inventory balance, which compares to a reserve of $35.6 million, or 27.6% of the gross inventory balance as of June 27, 2008. During fiscal 2009, we increased our net inventory reserves by $14.3 million primarily due to inventory mark-downs as a result of product transitioning and product discontinuance. During the third quarter of fiscal 2009, we also recorded $3.4 million included in Charges for product transition on the Consolidated Statement of Operations for estimated losses on future inventory purchase commitments. During fiscal 2008, we increased our inventory reserves by $14.7 million relating to inventory impairment as a result of product transitioning and product discontinuance.

Our inventory has been valued at the lower of cost or market. We balance the need to maintain prudent inventory levels to ensure competitive delivery performance with the risk of excess or obsolete inventory due to changing technology and customer requirements. We regularly review inventory quantities on hand and record a provision for excess and obsolete inventory based primarily on our estimated forecast of product demand, anticipated end of product life and production requirements. The review of excess and obsolete inventory primarily relates to the microwave business segments. Several factors may influence the sale and use of our inventories, including decisions to exit a product line, technological change and new product development. These factors could result in a change in the amount of obsolete inventory quantities on hand. Additionally, our estimates of future product demand may prove to be inaccurate, in which case the provision required for excess and obsolete inventory may be overstated or understated. In the future, if we determine that our inventory is overvalued, we would be required to recognize such costs in cost of product sales and services in our Statement of Operations at the time of such determination. In the case of goods which have been written down below cost at the close of a fiscal year, such reduced amount is considered the cost for subsequent accounting purposes. We did not make any material changes in the reserve methodology used to establish our inventory loss reserves during the past three fiscal years.

Goodwill and Intangible Assets

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

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

To test for potential impairment of our goodwill, we determined the fair value of each of our reporting segments based on projected discounted cash flows and market-based multiples applied to sales and earnings. The results indicated an

impairment to goodwill, because the current carrying value of the North America Microwave and International Microwave segments exceeded their fair value. We then allocated these fair values to the respective underlying assets and liabilities to determine the implied fair value of goodwill, resulting in a $279.0 million charge to write down all of our goodwill. We determined the fair value of the trade name Stratex by performing a projected

54

Table of Contents

discounted cash flow analysis based on the relief-from-royalty approach, resulting in a $22.0 million charge to write down the trade name Stratex to $11.0 million as of April 3, 2009, the end of our third quarter in fiscal 2009.

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

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

We review goodwill and identifiable intangible assets for impairment annually and whenever events or changes in circumstances indicate its carrying value may not be recoverable. We are required to perform a two-step impairment test on goodwill. In the first step, we compare the fair value of each reporting unit to its carrying value. Our reporting units are consistent with the reportable segments identified in Note N of the Notes to Consolidated Financial Statements. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is considered not impaired and we are not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit s goodwill. If the carrying value of a reporting unit s goodwill exceeds its implied fair value, then we would record an impairment loss equal to the difference.

Determining the fair value of a reporting unit involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, future economic and market conditions and determination of appropriate market comparables. We base our fair value estimates on assumptions we believe to be reasonable, but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates. In addition, we make certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for each of our reporting units.

We are required to perform an annual (or under certain circumstances more frequent) impairment test of our goodwill. Goodwill impairment is determined using a two-step process. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of a reporting unit, which we define as one of our business segments, with its net book value or carrying amount including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test compares the implied fair value of the reporting unit s goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit s goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. The fair value of the reporting unit is allocated to all of the assets and liabilities of that unit, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. We have not made any material changes in the methodology used to determine

the valuation of our goodwill or the assessment of whether or not goodwill is impaired during the past three fiscal years.

There are many assumptions and estimates underlying the determination of the fair value of a reporting unit. These assumptions include projected cash flows, discount rates, comparable market prices of similar businesses, recent acquisitions of similar businesses made in the marketplace and a review of the financial and market conditions of the underlying business. The accuracy of our estimate of the fair value of our reporting units and future

Table of Contents

changes in the assumptions used to make these estimates could result in the recording of an impairment loss. A 10% decrease in our estimate of the fair value of our reporting units would lead to further tests for impairment as described above.

Income Taxes and Tax Valuation Allowances

We record the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in our consolidated balance sheet, as well as operating loss and tax credit carryforwards. We follow very specific and detailed guidelines in each tax jurisdiction regarding the recoverability of any tax assets recorded on the balance sheet and provide necessary valuation allowances as required. Future realization of deferred tax assets ultimately depends on the existence of sufficient taxable income of the appropriate character (for example, ordinary income or capital gain) within the carryback or carryforward periods available under the tax law. We regularly review our deferred tax assets for recoverability based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. We have not made any material changes in the methodologies used to determine our tax valuation allowances during the past three fiscal years.

Our consolidated balance sheet as of July 3, 2009 includes a non-current deferred income tax asset of $8.0 million and a non-current deferred tax liability of $0.9 million. This compares to a net current deferred tax asset of $12.6 million, a non-current deferred income tax asset of $13.7 million, and a non-current deferred tax liability of $3.7 million as of June 27, 2008. For all jurisdictions for which we have deferred tax assets, we expect that our existing levels of pre-tax earnings are sufficient to generate the amount of future taxable income needed to realize these tax assets. Our valuation allowance related to deferred income taxes, as reflected in our consolidated balance sheet, was $168.9 million as of July 3, 2009 and $116.9 million as of June 27, 2008. The increase in valuation allowance from fiscal 2008 to fiscal 2009 was primarily due to our establishing a valuation allowance on certain deferred tax assets. If we continue to operate at a loss in certain jurisdictions or are unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, we could be required to increase the valuation allowance against all or a significant portion of our deferred tax assets resulting in a substantial increase in our effective tax rate and a material adverse impact on our operating results.

United States income taxes have not been provided on basis differences in foreign subsidiaries of $11.7 million and $73.1 million as of July 3, 2009 and June 27, 2008, because of our intention to reinvest these earnings indefinitely. The determination of unrecognized deferred U.S. tax liability for foreign subsidiaries is not practicable. Tax loss and credit carryforwards as of July 3, 2009 have expiration dates ranging between one year and no expiration in certain instances. The amount of U.S. tax loss carryforwards as of July 3, 2009 and June 27, 2008 was $201.2 million and $198.5 million and begin to expire in fiscal 2022. Credit carryforwards as of July 3, 2009 and June 27, 2008 was $27.9 million and $24.8 million and certain credits begin to expire in fiscal 2010. The amount of foreign tax loss carryforwards for July 3, 2009 and June 27, 2008 was $50.5 million and $40.2 million. The utilization of a portion of the U.S. net operating losses created prior to the merger is subject to an annual limitation under Section 382 of the Internal Revenue Code as a result of a change of ownership. Income taxes paid were $2.6 million, $2.2 million and $6.6 million during fiscal 2009, 2008 and 2007.

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

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

Table of Contents

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

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

We entered into a tax sharing agreement with Harris Corporation effective on January 26, 2007, the date of the merger. The tax sharing agreement addresses, among other things, the settlement process associated with pre-merger tax liabilities and tax attributes that are attributable to the MCD business when it was a division of Harris Corporation. There were no settlement payments recorded in fiscal 2009, 2008 or 2007.

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Accruals for tax contingencies are provided for in accordance with the requirements of FIN 48 Accounting for Uncertainties in Income Taxes. FIN 48 addresses the accounting for and disclosure of uncertainty in income tax positions, by prescribing a minimum recognition threshold that a tax position is required to satisfy before being recognized in the financial statements.

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

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

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

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

Impact of Recently Issued Accounting Pronouncements

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

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

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

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

Index to Financial Statements **Page**

Index to Financial Statements	Page
Report of Independent Registered Public Accounting Firm	59
Report of Independent Registered Public Accounting Firm	60
Consolidated Statements of Operations Fiscal Years ended July 3, 2009; June 27, 2008; and June 29, 2007	61
Consolidated Balance Sheets July 3, 2009 and June 27, 2008	62
Consolidated Statements of Cash Flows Fiscal Years ended July 3, 2009; June 27, 2008; and June 29, 2007	63
Consolidated Statements of Shareholders Equity and Comprehensive Loss Fiscal Years ended July 3, 2009; June 27, 2008; and June 29, 2007	64
Notes to Consolidated Financial Statements	65
For each of the Fiscal Years ended July 3, 2009; June 27, 2008; and June 29, 2007 Schedule II Valuation and Qualifying Accounts	121

Table of Contents

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Harris Stratex Networks, Inc. and subsidiaries as of July 3, 2009 and June 27, 2008, and the related consolidated statements of operations, shareholders equity and comprehensive loss, and cash flows for each of the three years in the period ended July 3, 2009. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Harris Stratex Networks, Inc. and subsidiaries at July 3, 2009 and June 27, 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended July 3, 2009, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Harris Stratex Networks, Inc. s internal control over financial reporting as of July 3, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 3, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Raleigh, North Carolina
September 3, 2009

Table of Contents

Report of Independent Registered Public Accounting Firm

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

We have audited Harris Stratex Networks, Inc. s internal control over financial reporting as of July 3, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Harris Stratex Networks, Inc. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

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

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

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

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

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

/s/ Ernst & Young LLP

Raleigh, North Carolina
September 3, 2009

60

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Years Ended		
	July 3, 2009	June 27, 2008	June 29, 2007
	(In millions, except per share amounts)		
Revenue from product sales and services:			
Revenue from external product sales	$ 559.5	$ 591.7	$ 409.1
Revenue from product sales with Harris Corporation	6.0	3.5	1.9
Total revenue from product sales	565.5	595.2	411.0
Revenue from services	114.4	123.2	96.9
Total revenue from product sales and services	679.9	718.4	507.9
Cost of product sales and services:			
Cost of external product sales	(383.5)	(427.1)	(286.3)
Charges for product transition	(29.8)		
Cost of product sales with Harris Corporation	(2.4)	(1.3)	(1.3)
Total cost of product sales	(415.7)	(428.4)	(287.6)
Cost of services	(81.4)	(87.9)	(65.2)
Cost of sales billed from Harris Corporation	(0.9)	(4.8)	(5.4)
Amortization of purchased technology	(7.5)	(7.1)	(3.0)
Total cost of product sales and services	(505.5)	(528.2)	(361.2)
Gross margin	174.4	190.2	146.7
Research and development expenses	(40.4)	(46.1)	(39.4)
Selling and administrative expenses	(132.8)	(134.4)	(92.1)
Selling and administrative expenses with Harris Corporation	(5.5)	(7.0)	(6.8)
Total research, development, selling and administrative expenses	(178.7)	(187.5)	(138.3)
Acquired in-process research and development	(2.4)		(15.3)
Amortization of identifiable intangible assets	(5.6)	(7.1)	(7.5)
Software impairment charges	(3.2)		
Restructuring charges	(8.2)	(9.3)	(9.3)
Goodwill impairment charges	(279.0)		
Trade name impairment charges	(32.6)		
Corporate allocations expense from Harris Corporation			(3.7)
Operating loss	(335.3)	(13.7)	(27.4)
Interest income	0.9	2.4	1.8

Interest expense	(2.8)	(2.6)	(2.3)
Loss before provision for or benefit from income taxes	(337.2)	(13.9)	(27.9)
(Provision for) benefit from income taxes	(17.8)	2.0	6.1
Net loss	$ (355.0)	$ (11.9)	$ (21.8)
Net loss per common share of Class A and Class B Common Stock (Notes 1 and 2):			
Basic and diluted	$ (6.05)	$ (0.20)	$ (0.88)
Basic and diluted weighted average shares outstanding	58.7	58.4	24.7

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

(2) Prior to January 26, 2007, the Company was a division of Harris Corporation and there were no shares outstanding for purposes of income or loss calculations. Basic and diluted weighted average shares outstanding are calculated based on the daily outstanding shares, reflecting the fact that no shares were outstanding prior to January 26, 2007.

See accompanying Notes to Consolidated Financial Statements

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	July 3, 2009	June 27, 2008
	(In millions, except share amounts)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 136.8	$ 95.0
Short-term investments	0.3	3.1
Receivables	142.9	199.7
Unbilled costs	27.8	37.1
Inventories	98.6	93.5
Deferred income taxes		12.6
Due from Harris Corporation	3.0	
Other current assets	26.7	19.1
Total current assets	436.1	460.1
Long-Term Assets		
Property, plant and equipment	57.4	75.6
Goodwill	3.2	284.2
Identifiable intangible assets	84.1	130.1
Capitalized software	9.3	9.5
Non-current portion of notes receivable	0.4	2.5
Non-current deferred income taxes	8.0	13.7
Other assets	1.7	1.6
Total long-term assets	164.1	517.2
Total assets	$ 600.2	$ 977.3
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities		
Short-term debt	$ 10.0	$
Current portion of long-term debt		5.0
Accounts payable	69.6	81.1
Compensation and benefits	16.6	19.5
Other accrued items	54.9	42.1
Advance payments and unearned income	37.3	30.1
Restructuring liabilities	5.3	5.1
Current portion of long-term capital lease obligation to Harris Corporation and others	0.7	1.3
Due to Harris Corporation		16.8
Total current liabilities	194.4	201.0

Long-Term Liabilities				
Long-term debt				3.8
Long-term portion of capital lease obligation to Harris Corporation and others		1.1		1.3
Restructuring and other long-term liabilities		3.2		7.4
Redeemable preference shares		8.3		8.3
Warrants				0.6
Reserve for uncertain tax positions		4.4		3.0
Deferred income taxes		0.9		3.7
Total Liabilities		212.3		229.1
Commitments and contingencies				
Shareholders Equity				
Preferred stock, $0.01 par value; 50,000,000 shares authorized; none issued				
Common stock, Class A, $0.01 par value; 300,000,000 shares authorized; issued and outstanding 58,903,177 shares as of July 3, 2009 and 25,556,134 shares as of June 27, 2008		0.6		0.3
Common stock, Class B, $0.01 par value; 100,000,000 shares authorized; issued and outstanding zero shares as of July 3, 2009 and 32,913,377 shares as of June 27, 2008				0.3
Additional paid-in-capital		783.2		779.9
Accumulated deficit		(391.1)		(36.1)
Accumulated other comprehensive (loss) income		(4.8)		3.8
Total Shareholders Equity		387.9		748.2
Total Liabilities and Shareholders Equity	$	600.2	$	977.3

See accompanying Notes to Consolidated Financial Statements

62

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Years Ended		
	July 3, 2009	**June 27, 2008**	**June 29, 2007**
		(In millions)	
Operating Activities			
Net loss	$ (355.0)	$ (11.9)	$ (21.8)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Amortization of identifiable intangible assets acquired in the Stratex acquisition and other	13.8	13.9	25.8
Other noncash charges related to the Stratex acquisition			7.9
Depreciation and amortization of property, plant and equipment and capitalized software	24.3	19.8	14.5
Goodwill impairment charges	279.0		
Trade name impairment charges	32.6		
Noncash share-based compensation expense	2.8	6.4	3.9
Noncash charges for product transition, restructuring and inventory mark-downs	29.3	14.7	
Acquired in-process research and development	2.4		
Decrease in fair value of warrant liability	(0.6)	(3.3)	(0.6)
Deferred income tax (benefit) expense	16.0	(7.5)	(13.0)
Changes in operating assets and liabilities, net of effects from acquisition:			
Receivables	61.1	(13.7)	(23.8)
Unbilled costs and inventories	(9.6)	15.9	(33.1)
Accounts payable and accrued expenses	(18.7)	1.3	10.1
Advance payments and unearned income	7.2	7.8	12.8
Due to Harris Corporation	(19.9)	0.4	4.6
Other assets and liabilities, net	6.6	(3.8)	(0.4)
Net cash provided by (used in) operating activities	71.3	40.0	(13.1)
Investing Activities			
Cash payments for Telsima acquisition, net of $1.0 million acquisition costs and cash acquired	(4.3)		
Cash acquired from the Stratex acquisition, net of acquisition costs of $12.7 million			20.4
Purchases of short-term investments	(1.2)	(9.2)	(30.7)
Sales and maturities of short-term investments	4.0	26.6	35.8
Additions of property, plant and equipment	(15.8)	(9.2)	(8.3)
Additions of capitalized software	(5.8)	(10.3)	(2.9)
Net cash (used in) provided by investing activities	(23.1)	(2.1)	14.3

Financing Activities			
Proceeds from issuance of short-term debt	10.0	1.2	10.8
Payments on short-term debt		(2.4)	(9.8)
Payments on long-term debt	(9.8)	(10.7)	(5.2)
Payments on long-term capital lease obligation to Harris Corporation and others	(1.3)	(3.7)	
Proceeds from exercise of former Stratex stock options		1.5	3.1
Excess tax benefits from share-based compensation		0.7	
Proceeds from issuance of redeemable preference shares			8.3
Proceeds from issuance of Class B Common Stock to Harris Corporation			26.9
Registration costs for Class A common stock issued in Stratex acquisition			(1.1)
Proceeds from exercise of former Stratex warrants			0.2
Net cash and other transfers from (to) Harris Corporation prior to the Stratex acquisition			24.1
Net cash (used in) provided by financing activities	(1.1)	(13.4)	57.3
Effect of exchange rate changes on cash and cash equivalents	(5.3)	1.3	(3.1)
Net increase in cash and cash equivalents	41.8	25.8	55.4
Cash and cash equivalents, beginning of year	95.0	69.2	13.8
Cash and cash equivalents, end of year	$ 136.8	$ 95.0	$ 69.2
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	$ 2.8	$ 2.7	$ 2.0
Income taxes	$ 2.6	$ 2.2	$ 6.6

See accompanying Notes to Consolidated Financial Statements

63

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY AND COMPREHENSIVE LOSS

	Common Stock Class A	Common Stock Class B	Additional Paid-in Capital	Division Equity	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Shareholders Equity
	(In millions, except share amounts)						
Balance as of June 30, 2006	$	$	$	$ 245.7	$ $	$ (1.4)	$ 244.3
Net income for the period from July 1, 2006 through January 26, 2007				2.4			2.4
Net loss for the period from January 27, 2007 through June 29, 2007					(24.2)		(24.2)
Foreign currency translation						1.5	1.5
Net unrealized loss on hedging activities						(0.1)	(0.1)
Comprehensive loss							(20.4)
Net increase in investment from Harris Corporation				8.5			8.5
Return of capital to Harris Corporation				(14.4)			(14.4)
Reclassification of division equity to additional paid-in capital on January 26, 2007			242.2	(242.2)			
Issuance of Class B Common Stock to Harris Corporation (32,913,377 shares)		0.3	26.6				26.9
Issuance of Class A Common Stock to former Stratex shareholders (24,782,153 shares)	0.3		477.3				477.6
Vested Stratex equity awards			15.5				15.5
Employee stock option exercises, net of tax (324,181 shares)			3.1				3.1
Stock option tax benefits			0.3				0.3
Exercise of warrants			0.2				0.2
Compensatory stock awards (294,522 shares)			4.8				4.8

Balance as of June 29, 2007	0.3	0.3	770.0		(24.2)		746.4
Net loss					(11.9)		(11.9)
Foreign currency translation						4.1	4.1
Net unrealized loss on hedging activities						(0.3)	(0.3)
Comprehensive loss							(8.1)
Adjustment to capital from Harris Corporation			1.3				1.3
Employee stock option exercises, net of tax (129,038 shares)			1.5				1.5
Stock option tax benefits			0.7				0.7
Compensatory stock awards (73,740 shares)			6.4				6.4
Balance as of June 27, 2008	0.3	0.3	779.9		(36.1)	3.8	748.2
Net loss					(355.0)		(355.0)
Foreign currency translation						(8.5)	(8.5)
Net unrealized loss on hedging activities						(0.1)	(0.1)
Comprehensive loss							(363.6)
Adjustment to capital from Harris Corporation			0.5				0.5
Employee stock option exercises, net of tax (688 shares)							
Conversion of 32,913,377 Class B shares to Class A shares	0.3	(0.3)					
Compensatory stock awards (432,978 shares)			2.8				2.8
Balance as of July 3, 2009	$ 0.6	$	$ 783.2	$	$ (391.1)	$ (4.8)	$ 387.9

See accompanying Notes to Consolidated Financial Statements

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Note A Nature of Operations and Basis of Presentation

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

Nature of Operations We design, manufacture and sell a broad range of microwave radios, scalable wireless network solutions and vertical market solutions for use in worldwide wireless and wireline communications networks. Applications include cellular/mobile infrastructure connectivity; WiMAX networks and energy and security solutions; secure data networks; public safety transport for state, local and federal government users; and right-of-way connectivity for utilities, pipelines, railroads and industrial companies. In general, wireless networks are constructed using microwave radios and other equipment and network management solutions to connect cell sites, fixed-access facilities, switching systems, land mobile radio systems and other similar systems.

Basis of Presentation The consolidated financial statements include the accounts of Harris Stratex and its wholly-owned and majority owned subsidiaries. Significant intercompany transactions and accounts have been eliminated.

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

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

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

For periods prior to January 26, 2007, the accompanying consolidated financial statements include the accounts of the Microwave Communications Division (MCD) of Harris Corporation (Harris) and Harris subsidiaries classified as part of MCD, our financial reporting predecessor entity. These financial statements have been determined to be the

historical financial statements of Harris Stratex. As used in these Notes to Consolidated Financial Statements, the term MCD refers to the consolidated operations of the Microwave Communications Division of Harris.

For periods prior to January 26, 2007, our historical financial statements are presented on a carve-out basis and reflect the assets, liabilities, revenue and expenses that were directly attributable to MCD as it was operated within Harris. Our consolidated Statements of Operations include all of the related costs of doing business, including an allocation of certain general corporate expenses of Harris, which were in support of MCD, including costs for finance, legal, treasury, purchasing, quality, environmental, safety, human resources, tax, audit and public relations departments and other corporate and infrastructure costs. We were allocated $3.7 million in fiscal 2007 for these

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

corporate allocations expenses from Harris. These costs represented approximately 6.1% of the total cost of these allocated services in fiscal 2007. These cost allocations were based primarily on a ratio of our sales to total Harris sales, multiplied by the total headquarters expense of Harris. The allocation of Harris overhead expenses concluded on January 26, 2007 and, accordingly, for the year ended June 29, 2007, seven months allocation was included. Management believes these allocations were made on a reasonable basis. See *Note P Related Party Transactions with Harris* for a description of our related party transactions with Harris.

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

Note B Significant Accounting Policies and New Accounting Pronouncements

Use of Estimates

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

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

Estimates affect significant items, including the following:

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

Product warranty obligations

Share-based awards

Contingencies

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents are carried at amortized cost, which approximates fair value due to the short-term nature of these investments. Amortization or accretion of premium or discount is included in interest income on the Consolidated Statements of Operations. We hold cash and cash equivalents at

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Short-Term Investments

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

Our short-term investments are subject to market risk, primarily interest rate and credit risk. These investments are managed by two outside professional managers within investment guidelines approved by our board of directors. Such guidelines include security type, credit quality and maturity and are intended to limit market risk by restricting our investments to high quality debt instruments with relatively short-term maturities. All short-term investments are reported at fair value with the related unrealized holding gains and losses reported as a component of accumulated other comprehensive income (loss) in shareholders equity. Fair value is determined by using observable or quoted market prices for those securities with the assistance of our outside professional managers.

Realized gains and losses on short-term investments are recorded in selling and administrative expenses. When a marketable security is sold, the realized gain or loss is determined using the specific identification method. Realized gains and losses from the sale of short-term investments in fiscal 2009, 2008 and 2007 were not significant. See *Note D Fair Value Measurements of Financial Assets and Financial Liabilities* for additional information.

Accounts Receivable, Major Customers and Other Significant Concentrations

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

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

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

$1.0 million and $0.2 million.

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

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Financial instruments that potentially subject us to a concentration of credit risk consist principally of short-term investments, trade accounts receivable and financial instruments used in foreign currency hedging activities. We invest our excess cash primarily in prime money market funds, certificates of deposit, commercial paper and corporate notes. We are exposed to credit risks related to our cash equivalents and short-term investments in the event of default or decrease in credit-worthiness of one of the issuers of the investments. We perform ongoing credit evaluations of our customers and generally do not require collateral on accounts receivable, as the majority of our customers are large, well-established companies. We maintain reserves for potential credit losses, but historically have not experienced any significant losses related to any particular geographic area since our business is not concentrated within any particular geographic region. Our customers are primarily in the telecommunications industry, so our accounts receivable are concentrated within one industry and exposed to concentrations of credit risk within that industry.

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

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

Inventories

Inventories are valued at the lower of cost (determined by average cost and first-in, first-out methods) or market. We regularly review inventory quantities on hand and record inventory reserves for excess and obsolete inventory based primarily on our estimated forecast of product demand and production requirements. Inventory reserves are measured as the difference between the cost of the inventory and estimated market value based upon assumptions about future demand and charged to the provision for inventory, which is a component of cost of sales. At the point of the loss recognition, a new, lower-cost basis for that inventory is established, and any subsequent improvements in facts and circumstances do not result in the restoration or increase in that newly established cost basis. See *Note F Inventories* for additional information.

Income Taxes and Related Uncertainties

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

We are required to compute our income taxes in each federal, state, and international jurisdiction in which we operate. This process requires that we estimate the current tax exposure as well as assess temporary differences between the accounting and tax treatment of assets and liabilities, including items such as accruals and allowances not currently deductible for tax purposes. The income tax effects of the differences we identify are classified as current or long-term

deferred tax assets and liabilities in our Consolidated Balance Sheets. Our judgments, assumptions, and estimates relative to the current provision for income tax take into account current tax laws, our interpretation of current tax laws, and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax laws or our interpretation of tax laws and the resolution of current and future tax audits could significantly impact the amounts provided for income taxes in our Consolidated Balance Sheets and Consolidated Statements of Operations. We must also assess the likelihood that deferred tax assets will be realized from future taxable income and, based on this assessment, establish a valuation allowance, if required.

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

Property, Plant and Equipment

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

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

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

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

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

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Capitalized Software

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

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

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

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

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

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

Goodwill and intangible assets deemed to have indefinite lives are not amortized but instead are tested for impairment at the reporting unit level at least annually and more frequently upon the occurrence of certain events. We review the carrying value of our intangible assets and goodwill for impairment whenever events or circumstances indicate that their carrying amount may not be recoverable. Significant negative industry or economic trends, including a lack of recovery in the market price of our common stock or the fair value of our debt, disruptions to our business, unexpected significant changes or planned changes in the use of the intangible assets, and mergers and acquisitions could result in the need to reassess the fair value of our assets and liabilities which could lead to an impairment charge

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

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

We evaluate long-lived assets, including intangible assets other than goodwill, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the assets. If impairment exists, the impairment loss is measured and recorded based on discounted estimated future cash flows. In estimating future cash flows, assets are grouped at the lowest levels for which there are identifiable cash flows that are largely independent of cash flows from other asset groups. Our estimate of future cash flows is based upon, among other things, certain assumptions about expected future operating performance, growth rates and other factors. The actual cash flows realized from these assets may vary significantly from our estimates due to increased competition, changes in technology, fluctuations in demand, consolidation of our customers, reductions in average selling prices and other factors. Assumptions underlying future cash flow estimates are therefore subject to significant risks and uncertainties.

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

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

During June 2009, subsequent to the May 27, 2009 spin-off by Harris of its majority interest or 56 percent of our common stock, Harris notified us of its intent to terminate the trademark license in effect between us since January 26, 2007. The new name of our Company will not include Harris or Stratex. Accordingly, the fair value of the indefinite-lived trade name Stratex was deemed to be impaired. Furthermore, we anticipate making this change by December 2009, which is an expected definite life of six months from July 3, 2009, the end of our fiscal year 2009. As a result, we determined the fair value of the trade name Stratex as of July 3, 2009 by performing a

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

projected discounted cash flow analysis based on the relief-from-royalty approach, resulting in a $10.6 million charge to write down a majority of the trade name Stratex to a fair value of $0.4 million with a six-month remaining life.

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

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

During fiscal 2008, we recorded impairment losses on property, plant and equipment totaling $1.3 million. See *Note P Related Party Transactions with Harris* for additional information.

Other Accrued Items and Other Assets

No accrued liabilities or expenses within the caption Other accrued items on our Consolidated Balance Sheets exceed 5% of our total current liabilities as of July 3, 2009 or as of June 27, 2008. Other accrued items on our Consolidated Balance Sheets primarily includes accruals for sales commissions, warranties and severance. No current assets other than those already disclosed on the consolidated balance sheets exceed 5% of our total current assets as of July 3, 2009 or as of June 27, 2008. No assets within the caption Other assets on the Consolidated Balance Sheets exceed 5% of total assets as of July 3, 2009 or as of June 27, 2008.

Warranties

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

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

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

Our software license agreements generally include certain provisions for indemnifying customers against liabilities should our software products infringe a third party s intellectual property rights. As of July 3, 2009, we had not

incurred any material costs as a result of such indemnification and have not accrued any liabilities related to such obligations in our consolidated financial statements. See *Note I Accrued Warranties* for additional information.

Capital Lease Obligation and Operating Leases

Prior to January 26, 2007, MCD used certain assets in Canada owned by Harris that were not contributed to us as part of the merger. We continue to use these assets in our business and entered into a 5-year capital lease agreement to accommodate this use.

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Liability for Warrants and the Related Changes in Fair Value

We have an obligation for outstanding warrants classified as a liability on our Consolidated Balance Sheet. Warrants that either require net-cash settlement or are presumed to require net-cash settlement are recorded as assets and liabilities at fair value and warrants that require settlement in shares are recorded as equity instruments. Our warrants are classified as liabilities because they include a provision that specifies that we must deliver freely tradable shares upon exercise by the warrant holder. Because there are circumstances, irrespective of likelihood, that may not be within our control that could prevent delivery of registered shares, the warrants are recorded as a liability at fair value, with subsequent changes in fair value recorded as income or expense as part of our Selling and administrative expenses in our Consolidated Statements of Operations. The fair value of our warrants is determined using a Black-Scholes option pricing model, and is affected by changes in inputs to that model including our stock price, expected stock price volatility and contractual term. See *Note D Fair Value Measurements of Financial Assets and Financial Liabilities* for additional information.

Contingent Liabilities

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

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

Foreign Currency Translation

The functional currency of our subsidiaries located in the United Kingdom, Singapore, Mexico and New Zealand is the U.S. dollar. Determination of the functional currency is dependent upon the economic environment in which an entity operates as well as the customers and suppliers the entity conducts business with. Changes in facts and

circumstances may occur which could lead to a change in the functional currency of that entity. Accordingly, all of the monetary assets and liabilities of these subsidiaries are re-measured into U.S. dollars at the current exchange rate as of the applicable balance sheet date, and all non-monetary assets and liabilities are re-measured at historical rates. Income and expenses are re-measured at the average exchange rate prevailing during the period. Gains and losses resulting from the re-measurement of these subsidiaries financial statements are included in the Consolidated Statements of Operations.

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Gains and losses resulting from foreign exchange transactions are included in Cost of product sales and services in the accompanying Consolidated Statements of Operations. Net foreign exchange (losses) gains recorded in our Consolidated Statements of Operations during fiscal 2009, 2008 and 2007 totaled $(7.4) million, $(1.3) million and $0.5 million.

Retirement Benefits

As of July 3, 2009, we provided retirement benefits to substantially all employees primarily through our defined contribution retirement plans, and prior to January 27, 2007 we provided these benefits through Harris defined contribution retirement plan. These plans have matching and savings elements. Contributions by us to these retirement plans are based on profits and employees savings with no other funding requirements. We may make additional contributions to the plan at our discretion.

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

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

Financial Guarantees, Commercial Commitments and Indemnifications

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

Under the terms of substantially all of our license agreements, we have agreed to defend and pay any final judgment against our customers arising from claims against such customers that our software products infringe the intellectual property rights of a third party. To date: we have not received any notice that any customer is subject to an infringement claim arising from the use of our software products; we have not received any request to defend any customers from infringement claims arising from the use of our software products; and we have not paid any final

judgment on behalf of any customer related to an infringement claim arising from the use of our software products. Because the outcome of infringement disputes are related to the specific facts in each case, and given the lack of previous or current indemnification claims, we cannot estimate the maximum amount of potential future payments, if any, related to our indemnification provisions. As of July 3, 2009, we had not recorded any liabilities related to these indemnifications.

Our standard license agreement includes a warranty provision for software products. We generally warrant for the first 90 days after delivery that the software shall operate substantially as stated in the then current documentation provided that the software is used in a supported computer system. We provide for the estimated

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

cost of product warranties based on specific warranty claims, provided that it is probable that a liability exists and provided the amount can be reasonably estimated. To date, we have not had any material costs associated with these warranties.

Revenue Recognition

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

We often enter into multiple contractual agreements with the same customer. Such agreements are reviewed to determine whether they should be evaluated as one arrangement. If an arrangement, other than a long-term contract, requires the delivery or performance of multiple deliverables or elements, we determine whether the individual elements represent separate units of accounting . We recognize the revenue associated with each element separately. Such revenue, including products with installation services, is recognized as revenue when each unit of accounting is earned based on the relative fair value of each unit of accounting.

Our assessment of which revenue recognition guidance is appropriate to account for each element in an arrangement can involve significant judgment. Revenue from product sales and services are generally recognized when persuasive evidence of an arrangement exists, delivery has occurred and title and risk of loss has transferred or services have been rendered, the fee is fixed or determinable and collectibility is reasonably assured.

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

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

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

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cost of Product Sales and Services

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

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

Presentation of Taxes Collected from Customers and Remitted to Government Authorities

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

Share-Based Compensation

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

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

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

We estimate forfeitures at the time of grant and revise, if necessary, in subsequent periods if actual forfeitures differ significantly from initial estimates. Forfeitures were estimated based on the historical experience at Stratex for those options assumed, and on the historical experience at Harris prior to the acquisition of Stratex. Share-based compensation expense was recorded net of estimated forfeitures such that expense was recorded only for those share-based awards that are expected to vest. True-ups of forfeiture estimates are made at least annually on a grant by grant basis.

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

Earnings (Loss) per Share and Description of Shares Outstanding

We compute net income or loss per share of Class A and Class B Common Stock using the two class method. Basic net income per share is computed using the weighted average number of common shares outstanding during

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the period. Diluted net income per share is computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options. The dilutive effect of outstanding stock options is reflected in diluted earnings per share by application of the treasury stock method. The computation of the diluted net income per share of Class A Common Stock assumes the conversion of Class B Common Stock, while the diluted net income per share of Class B Common Stock does not assume the conversion of those shares.

The rights, including the liquidation and dividend rights, of the holders of our Class A and Class B Common Stock are substantially similar. However, the holders of Class B Common Stock have the sole and exclusive right to elect or remove the Class B directors, who currently number four of the eight members of our board of directors. Further, our restated certificate of incorporation cannot be amended or replaced to adversely affect the rights of the holders of Class B Common Stock or to approve a new issuance of Class B Common Stock without the approval of the holders of a majority of Class B Common Stock. At any time each holder may exchange the holder s shares of Class B Common Stock for an equal number of shares of Class A Common Stock at the holder s option. Under certain circumstances, each share of Class B Common Stock will convert automatically into one share of Class A Common Stock. The holders of Class B Common Stock have the right to preserve their proportionate interest in the company by participating in any issuance of capital stock by the company other than issuances pursuant to stock option or similar employee benefit plan. The undistributed earnings for each year are allocated based on the contractual participation rights of the Class A and Class B common shares as if the earnings for the year had been distributed. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis. Further, as we assume the conversion of Class B Common Stock in the computation of the diluted net income per share of Class A Common Stock, the undistributed earnings are equal to net income for that computation.

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

Prior to January 26, 2007, we were a division of Harris and there were no shares outstanding for purposes of earnings (loss) calculations. Basic and diluted weighted average shares outstanding are calculated based on the daily outstanding shares, reflecting the fact that no shares were outstanding prior to January 26, 2007. For fiscal 2009, 2008 and 2007, the diluted loss per share amounts equals the basic loss per share amounts because we reported a net loss and as such, the impact of the assumed exercise of stock options and warrants would have been anti-dilutive.

Restructuring and Related Expenses

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

See *Note K Restructuring Activities* for additional information.

Research and Development Costs

Our company-sponsored research and development costs, which include costs in connection with new product development, improvement of existing products, process improvement, and product use technologies, are charged to operations in the period in which they are incurred. In connection with business combinations, the purchase price allocated to research and development projects that have not yet reached technological feasibility and for which no

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

alternative future use exists is charged to operations in the period of acquisition. We present research and development expenses and acquired in-process research and development costs as separate line items in our Consolidated Statements of Operations.

Customer-sponsored research and development costs are sometimes incurred pursuant to contractual arrangements and are accounted for principally by the percentage-of-completion method. There was no customer-sponsored research and development in fiscal 2009, 2008 or 2007.

Segment Information

We are organized into three operating segments around the markets we serve: North America Microwave, International Microwave and Network Operations. The North America Microwave segment designs, manufactures, sells and services microwave radio products, primarily for cellular network providers and private network users within North America (U.S., Canada and the Caribbean). The International Microwave segment designs, manufactures, sells and services microwave radio products, primarily for cellular network providers and private network users outside of North America. The Network Operations segment develops, designs, produces, sells and services network management and service fulfillment systems and solutions, primarily for cellular network providers and private network users worldwide.

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

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

Disclosures about Derivative Instruments and Hedging Activities

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (Statement 161). Statement 161 applies to all derivative instruments, including bifurcated derivative instruments (and to nonderivative instruments that are designated and qualify as hedging instruments pursuant to paragraphs 37 and 42 of FASB Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (Statement 133) and related hedged items accounted for under Statement 133. Statement 161 amends and expands the disclosure requirements of Statement 133 to provide greater transparency as to (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, results of operations and cash flows. To meet those objectives, Statement 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about the volume of derivative activity and fair value amounts of, and gains and losses on, derivative instruments including location of such amounts in the

consolidated financial statements, and disclosures about credit-risk-related contingent features in derivative agreements. Statement 161 is effective for fiscal years and interim periods that begin after November 15, 2008. We adopted Statement 161 during the third quarter of fiscal 2009 (see Note R). The adoption of Statement 161 did not have an impact on our consolidated results of operations or financial position.

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Fair Value Measurements

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

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (Statement 159). Statement 159 allows companies to voluntarily choose, at specified election dates, to measure many financial assets and financial liabilities at fair value (the fair value option). The election is made on an instrument-by-instrument basis and is irrevocable. If the fair value option is elected for an instrument, all unrealized gains or losses in fair value for that instrument shall be reported in earnings at each subsequent reporting date. We adopted Statement 159 in the first quarter of fiscal 2009 but have not elected the fair value option for any eligible financial instruments.

Disclosure of Subsequent Events

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

Standards, Interpretations and Amendments Issued, but not yet Adopted

Accounting for Business Combinations

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), Business Combinations (Statement 141R). Statement 141R requires that, upon a business combination, the acquired assets, assumed liabilities, contractual contingencies and contingent liabilities be recognized and measured at their fair value at the acquisition date. Statement 141R also requires that acquisition-related costs be recognized separately from the acquisition and expensed as incurred. In addition, Statement 141R requires that

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

acquired in-process research and development be measured at fair value and capitalized as an indefinite-lived intangible asset, and it is therefore not subject to amortization until the project is completed or abandoned. Statement 141R also requires that changes in deferred tax asset valuation allowances and acquired income tax uncertainties that are recognized after the measurement period be recognized in income tax expense. Statement 141R is to be applied prospectively and is effective for fiscal years beginning on or after December 15, 2008, which for us is our fiscal 2010. Thus, while adoption is not expected to materially impact our financial position, results of operations or cash flows directly when it becomes effective on July 4, 2009 (the beginning of our fiscal 2010), it is expected to have a significant effect on the accounting for any acquisitions we make on, or subsequent to, that date.

On April 1, 2009, the FASB issued FSP No. FAS 141R-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies (FSP FAS 141R-1). Under FSP FAS 141R-1, assets and liabilities arising from contingencies in a business combination are to be recognized at fair value at the acquisition date if the acquisition-date fair value can be determined during the measurement period. In cases where acquisition-date fair values cannot be determined during the measurement period, an asset or liability shall be recognized at the acquisition date at amounts based on guidance in FASB Statement No. 5, Accounting for Contingencies and FASB Interpretation No. 14, Reasonable Estimation of the Amount of a Loss if certain other criteria are met. FSP FAS 141R-1 also expands the disclosure requirements of Statement 141R to provide additional information about business combination-related contingencies in footnotes describing business combinations. FSP FAS 141R-1 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, which for us is our fiscal 2010. Thus, while adoption is not expected to materially impact our financial position, results of operations or cash flows directly when it becomes effective on July 4, 2009 (the beginning of our fiscal 2010), it may have a significant effect on the accounting for any acquisitions we make on, or subsequent to, that date.

Disclosures about Fair Value of Financial Instruments

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

Earnings per Share

In June 2008, the FASB issued FSP No. Emerging Issues Task Force (EITF) 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP EITF 03-6-1). FSP

EITF 03-6-1 states that unvested share-based payment awards that contain rights to receive nonforfeitable dividends or dividend equivalents (whether paid or unpaid) are participating securities and, accordingly, should be included in the two-class method of calculating earnings per share (EPS) under FASB Statement of Financial Accounting Standards No. 128, Earnings per Share. FSP EITF 03-6-1 also includes guidance on allocating earnings pursuant to the two-class method. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008, which for us is our fiscal 2010. All prior-period EPS data presented (including interim financial statements, summaries of earnings, and selected financial data) shall be adjusted retrospectively. We do not currently anticipate that the

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

implementation of FSP EITF 03-6-1 will materially impact our financial position, results of operations or cash flows.

Useful Life of Intangible Assets

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

Note C Business Combinations Acquisition of Telsima and Stratex, Goodwill and Identifiable Intangible Assets

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

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

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

On January 26, 2007, we completed our acquisition of Stratex. Pursuant to the acquisition, each share of Stratex common stock was converted into one-fourth of a share of our Class A Common Stock. As a result of the transaction, 24,782,153 shares of our Class A Common Stock were issued to the former holders of Stratex common stock. In the contribution transaction, Harris contributed the assets of MCD, along with $32.1 million in cash (consisting of $26.9 million contributed on January 26, 2007 and $5.2 million held by the Company s foreign operating subsidiaries

on January 26, 2007) and, in exchange we assumed certain liabilities of Harris related to MCD and issued 32,913,377 shares of our Class B Common Stock to Harris. As a result of these transactions, Harris owned approximately 57% of our outstanding stock and the former Stratex shareholders owned approximately 43% of our outstanding stock immediately following the closing.

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

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Calculation of Allocable Purchase Price	Telsima February 27, 2009	Stratex January 26, 2007
	(In millions)	
Value of Harris Stratex Networks shares issued to stockholders	$	$ 464.9
Cash paid and to be paid for acquisition of shares	12.0	
Value of vested options assumed		15.5
Acquisition costs	1.0	12.7
Total allocable purchase price	$ 13.0	$ 493.1

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

Balance Sheet as of the Acquisition Date (In millions)	Telsima	Stratex
	(In millions)	
Cash, cash equivalents and short-term investments	$ 0.6	$ 58.6
Accounts and notes receivable	2.2	39.1
Inventories	1.8	44.2
In-process research and development	2.4	15.3
Identifiable intangible assets	7.6	149.5
Goodwill	3.2	295.0
Property, plant and equipment	2.0	33.0
Other assets	4.0	11.1
Total assets	$ 23.8	$ 645.8
Current portion of long-term debt	$	$ 11.3
Short-term debt	1.0	
Capital lease obligations	0.5	
Accounts payable and accrued expenses	9.3	56.1
Advance payments and unearned income		0.3
Income taxes payable		9.2
Liability for severance payments		7.9
Long-term debt		13.4

Deferred tax liabilities		41.3
Long-term restructuring liabilities		8.7
Warrants		4.5
Total liabilities	10.8	152.7
Net assets acquired	$ 13.0	$ 493.1

The table below summarizes the allocation of estimated identifiable intangible assets resulting from the Telsima and Stratex acquisitions. For purposes of this allocation, we assessed the fair value of Telsima identifiable intangible assets related to customer contracts, customer relationships, developed technology and trade names based on the net present value of the projected income stream of these identifiable intangible assets. The resulting

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

fair value is being amortized over the estimated useful life of each identifiable intangible asset on a straight-line basis. We estimated the fair value of acquired in-process research and development to be approximately $2.4 million, which we have reflected in Acquired in-process research and development expense in the Consolidated Statements of Operations during fiscal 2009. This represents certain technologies under development, primarily related to next generations of the WiMAXtm product line. We estimated that the technologies under development were approximately 50 percent complete at the date of acquisition. We expect to incur up to an additional $7.6 million to complete this development, with completion expected in late calendar year 2009.

With regard to the Stratex acquisition, we assessed the fair value of identifiable intangible assets related to customer contracts, customer relationships, employee covenants not to compete, developed technology and tradenames based on the net present value of the projected income stream of these identifiable intangible assets. The resulting fair value is being amortized over the estimated useful life of each identifiable intangible asset on a straight-line basis. We estimated the fair value of acquired in-process research and development to be approximately $15.3 million, which we have reflected in Acquired in-process research and development expense in the Consolidated Statements of Operations during fiscal 2007. This represented certain technologies under development, primarily related to the next generation of the Eclipse product line.

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

The Telsima Acquisition has been accounted for under the purchase method of accounting. Accordingly, the Telsima results of operations have been included in the Consolidated Statements of Operations and Cash Flows since the acquisition date of February 27, 2009 and are included almost entirely in our International Microwave segment. The purchase price allocation is preliminary and until February 26, 2010, additional information could come to our

attention that may require us to further revise the purchase price allocation in connection with the Telsima Acquisition. The excess of the purchase price over the fair value of the identifiable tangible and intangible net assets acquired was assigned to goodwill. The goodwill resulting from the acquisition was associated primarily with the Telsima market presence and leading position, its growth opportunity in the markets in which it operated and its experienced work force.

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

The Stratex results of operations have been included in the Consolidated Statements of Operations and Cash Flows since the acquisition date of January 26, 2007 and are included almost entirely in our International Microwave segment. The excess of the purchase price over the fair value of the identifiable tangible and intangible net assets acquired was assigned to goodwill. The goodwill resulting from the acquisition was associated primarily with the Stratex market presence and leading position, its growth opportunity in the markets in which it operated, and its experienced work force and established operating infrastructure.

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The goodwill resulting from the Stratex acquisition is not deductible for tax purposes. We obtained the assistance of independent valuation specialists to assist us in determining the allocation of the purchase price for the Stratex and Telsima acquisitions.

Pro Forma Results

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

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

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

Summary of Goodwill

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

	2009			2008		
	North America	International	Total	North America	International	Total
			(In millions)			
	$ 36.2	$ 248.0	$ 284.2	$ 1.9	$ 322.8	$ 324.7

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

84

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Summary of Identifiable Intangible Assets

In addition to the identifiable intangible assets from the Telsima and Stratex acquisitions, we have other identifiable intangible assets related primarily to technology obtained through acquisitions prior to fiscal 2006. Our other identifiable intangible assets are being amortized over their useful estimated economic lives, which range from two to 17 years. A summary of all of our identifiable intangible assets is presented below:

	Developed Technology	Tradenames	Customer Relationships	Contract Backlog	Non-Compete Agreements	Total Identifiable Intangible Assets
			(In millions)			
Gross identifiable intangible assets as of June 30, 2006	$ 12.8	$	$	$	$	$ 12.8
Less accumulated amortization	(6.4)					(6.4)
Net identifiable intangible assets as of June 30, 2006	6.4					6.4
Add: acquired fair value of Stratex identifiable intangible assets	70.1	44.4	28.8	4.3	1.9	149.5
Less: amortization expense fiscal 2007	(4.1)	(1.0)	(1.4)	(4.3)	(0.8)	(11.6)
Foreign currency translation fiscal 2007	0.2					0.2
Net identifiable intangible assets as of June 29, 2007	72.6	43.4	27.4		1.1	144.5
Less: amortization expense fiscal 2008	(7.9)	(2.2)	(3.3)		(1.1)	(14.5)
Foreign currency translation fiscal 2008	0.1					0.1
Net identifiable intangible assets as of June 27, 2008	64.8	41.2	24.1			130.1
Add: acquired fair value of Telsima identifiable intangible assets	6.9	0.1	0.6			7.6
Less: amortization expense fiscal 2009	(8.1)	(2.3)	(3.3)			(13.7)
Impairment charge fiscal 2009		(32.6)				(32.6)
Tax adjustments related to valuation allowance	(3.8)	(3.0)				(6.8)
Foreign currency translation fiscal 2009	(0.5)					(0.5)
	$ 59.3	$ 3.4	$ 21.4	$	$	$ 84.1

Net identifiable intangible assets as of July 3, 2009						
Gross identifiable intangible assets as of July 3, 2009	$ 87.9	$ 11.9	$ 29.3	$	$	$ 129.1
Less accumulated amortization	(28.6)	(8.5)	(7.9)			(45.0)
Net identifiable intangible assets as of July 3, 2009	$ 59.3	$ 3.4	$ 21.4	$	$	$ 84.1
Amortization expense fiscal 2009	8.1	2.3	3.3			13.7
Amortization expense fiscal 2008	7.9	2.2	3.3		1.1	14.5
Amortization expense fiscal 2007	4.1	1.0	1.4	4.3	0.8	11.6
Weighted Average Estimated Useful Life (in years)	7.3	2.5	7.3			

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Note D Fair Value Measurements of Financial Assets and Financial Liabilities

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

Level 1 Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2 Observable market-based inputs or observable inputs that are corroborated by market data;

Level 3 Unobservable inputs reflecting our own assumptions.

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

	Level 1	Level 2	Level 3	Total
		(In millions)		
Financial Assets:				
Short-term investments	$ 0.3	$	$	$ 0.3

Foreign exchange forward contracts	1.1	1.1
Financial Liabilities:		
Foreign exchange forward contracts	0.9	0.9
Warrants		

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

Note E Receivables

Our receivables are summarized below:

	July 3, 2009	June 27, 2008
	(In millions)	
Accounts receivable	$ 163.1	$ 205.5
Notes receivable due within one year net	6.8	6.8

		169.9		212.3
Less allowances for collection losses		(27.0)		(12.6)
	$	142.9	$	199.7

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

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note F Inventories

Our inventories are summarized below:

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

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

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

Note G Property, Plant and Equipment

Our property, plant and equipment are summarized below:

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

	$	57.4	$	75.6

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

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

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note H Credit Facility and Debt

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

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

As of June 27, 2008, we had a credit facility with Silicon Valley Bank (the Original Credit Facility) which provided for short-term and long-term borrowings. The Original Credit Facility allowed for revolving credit borrowings of up to $50 million with available credit defined as $50 million less the outstanding balance of the long-term portion and any usage under the revolving credit portion. As of June 27, 2008, the outstanding balance of the long-term portion of our Original Credit Facility was $8.8 million and there were $8.6 million in outstanding standby letters of credit as of that date defined as usage under the revolving credit portion of the facility. As of July 3, 2009, the amount under standby letters of credit outstanding under the Original Credit Facility totaled $2.7 million.

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

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

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

short-term borrowings was 2.10% as of July 3, 2009.

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

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note I Accrued Warranties

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

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

Note J Redeemable Preference Shares

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

These redeemable preference shares represent less than a 1% interest in our Singapore subsidiary. The redeemable preference shares have an automatic redemption date of January 2017, which is 10 years from the date of issue. Preference dividends are cumulative and payable quarterly in cash at the rate of 12% per annum. The holders of the redeemable preference shares have liquidation rights in priority of all classes of capital stock of our Singapore subsidiary. The holders of the redeemable preference shares do not have any other participation in, or rights to, our profits, assets or capital shares, and do not have rights to vote as a shareholder of the Singapore subsidiary unless the preference dividend or any part thereof is in arrears and has remained unpaid for at least 12 months after it has been declared. During fiscal 2009, 2008 and 2007, preference dividends totaling $1.0 million, $1.0 million and $0.4 million

were recorded as interest expense in the accompanying Consolidated Statements of Operations. We have classified the redeemable preference shares as a long-term liability due to the mandatory redemption provision 10 years from issue date.

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

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

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

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

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

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Note K Restructuring Activities

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

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

Severance, retention and related charges associated with reduction in force activities totaling $8.0 million (Fiscal 2009 Plan).

Impairment of fixed assets (non-cash charges) totaling $0.4 million and facility restoration costs of $0.3 million at our Canadian location (Fiscal 2009 Plan).

Adjustments to the restructuring liability under the 2007 Restructuring Plans for changes in estimates related to sub-tenant activity at our U.S. ($0.1 million increase) and Canadian locations ($0.3 million decrease).

Adjustments to the restructuring liability under the 2007 Restructuring Plans for changes in estimates to reduce the severance liability in Canada ($0.3 million decrease).

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

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

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

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

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

During the third quarter of fiscal 2007, in connection with the Stratex acquisition on January 26, 2007, we assumed $12.0 million of restructuring liabilities representing the fair value of Stratex restructuring liabilities incurred prior to, and not related to, the acquisition as summarized in the table below. These charges related to building lease obligations at four of Stratex U.S. facilities. During fiscal 2008, we made payments of $4.8 million on these leases, which reduced the liability by $4.1 million, net of $0.7 million in interest expense. Also during the second quarter of fiscal 2008, new information became available with regard to our utilization of the space under these building lease obligations and we reduced our restructuring liability by $1.1 million with an offsetting decrease to goodwill under purchase accounting. Subsequent to the one-year window under purchase accounting, we updated our estimate of the utilization of this space under these lease obligations and increased the liability by $0.5 million with an increase to restructuring expense.

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Severance and Benefits	Facilities and Other	Total
		(In millions)	
Total restructuring liability balance as of June 30, 2006	$ 1.9	$ 0.3	$ 2.2
Acquisition of Stratex restructuring liability on January 26, 2007		12.0	12.0
Provision in fiscal 2007	9.3		9.3
Cash payments in fiscal 2007	(3.4)	(1.5)	(4.9)
Total restructuring liability as of June 29, 2007	7.8	10.8	18.6
Provision in fiscal 2008	4.0	5.9	9.9
Release of accrual to statement of operations in fiscal 2008	(0.6)		(0.6)
Amount credited to goodwill in fiscal 2008		(1.1)	(1.1)
Other adjustments to liability, including foreign currency translation during fiscal 2008	0.6	0.2	0.8
Non-cash charges in fiscal 2008		(4.1)	(4.1)
Cash payments in fiscal 2008	(10.0)	(3.2)	(13.2)
Total restructuring liability as of June 27, 2008	1.8	8.5	10.3
Provision in fiscal 2009 (Fiscal 2009 Plan)	7.9	0.3	8.2
Reversal of accrual in fiscal 2009 to statement of operations for changes in estimates (Fiscal 2007 Plans)	(0.2)	(0.2)	(0.4)
Non-cash charges in fiscal 2009 (Fiscal 2009 Plan)		(0.4)	(0.4)
Cash payments in fiscal 2009	(7.0)	(2.9)	(9.9)
Total restructuring liability as of July 3, 2009	$ 2.5	$ 5.3	$ 7.8
Current portion of restructuring liability as of July 3, 2009	$ 2.5	$ 2.8	$ 5.3
Long-term portion of restructuring liability as of July 3, 2009		2.5	2.5
Total restructuring liability as of July 3, 2009	$ 2.5	$ 5.3	$ 7.8

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

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note L Accumulated Other Comprehensive (Loss) Income

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

	Foreign Currency Translation	Hedging Derivatives	Short-Term Investments	Total Accumulated Other Comprehensive (Loss) Income
		(In millions)		
Balance as of June 30, 2006	$ (1.5)	$ 0.1	$	$ (1.4)
Foreign currency translation	1.5			1.5
Net unrealized loss on hedging activities, net of tax		(0.1)		(0.1)
Balance as of June 29, 2007				
Foreign currency translation	4.1			4.1
Net unrealized loss on hedging activities, net of tax		(0.3)		(0.3)
Balance as of June 27, 2008	4.1	(0.3)		3.8
Foreign currency translation	(8.5)			(8.5)
Net unrealized loss on hedging activities, net of tax		(0.1)		(0.1)
Balance as of July 3, 2009	$ (4.4)	$ (0.4)	$	$ (4.8)

Note M Share-Based Compensation

As of July 3, 2009, we had one stock incentive plan for our employees and outside directors, the 2007 Stock Equity Plan, which was adopted by our board of directors and approved by Harris as our sole shareholder in January 2007. Certain share-based awards provide for accelerated vesting if there is a change in control (as defined under our 2007 Stock Equity Plan). Shares of Class A Common Stock remaining available for future issuance under our stock incentive plan totaled 3,058,363 as of July 3, 2009. Our stock incentive plan provides for the issuance of share-based awards in the form of stock options, restricted stock and performance share awards.

We also assumed all of the former Stratex outstanding stock options as of January 26, 2007, as part of the Stratex acquisition. We recognized $1.6 million, $2.8 million and $1.5 million in compensation expense relating to services provided during fiscal 2009, 2008 and fiscal 2007 for the portion of these stock options that were unvested as of January 26, 2007. During fiscal 2007, we also recognized $0.9 million in compensation expense related to the acceleration of options in connection with the employment termination of one of our executive officers and $0.9 million in compensation cost related to the acceleration of options charged to goodwill, both items accounted for

as a share-based award modifications. For the portion of these assumed stock options that were vested at the date of the Stratex acquisition, we included their fair value of $15.5 million as part of the purchase price.

Some of our employees who were formerly employed by MCD participate in Harris three shareholder-approved stock incentive plans (the Harris Plans) under which options or other share-based compensation is outstanding. In total, the compensation expense related to the Harris Plans share-based awards was $0.1 million, $1.4 million and $1.6 million during fiscal 2009, 2008 and 2007. These costs have been paid to Harris in cash. Harris has not made any awards to former MCD employees since the date of the Stratex acquisition, and has not made any further such awards under its plans.

Upon the exercise of stock options, vesting of restricted stock awards, or vesting of performance share awards, we issue new shares of our Class A Common Stock. Currently, we do not anticipate repurchasing shares to provide a source of shares for our rewards of share-based compensation.

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In total, compensation expense for share-based awards was $2.9 million, $7.8 million and $5.7 million for fiscal 2009, 2008 and 2007. Amounts were included in our Consolidated Statements of Operations as follows:

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

Stock Options Awarded Under our 2007 Stock Equity Plan

The following information relates to stock options that have been granted under our stock incentive plan. Option exercise prices are equal to the fair market value on the date the options are granted using our closing stock price. Options may be exercised for a period set at the time of grant, generally 7 years after the date of grant, and they generally vest in installments of 50% one year from the grant date, 25% two years from the grant date and 25% three years from the grant date.

The fair value of each option award under our stock equity plan was estimated on the date of grant using the Black-Scholes-Merton option-pricing model using the assumptions set forth in the following table. Expected volatility is based on implied volatility for the expected term of the options from a group of peer companies developed with the assistance of an independent valuation firm. The expected term of the options is calculated using the simplified method described in the SEC s Staff Accounting Bulletins No. 107 and No. 110. We use the simplified method because our stock does not have sufficient trading history and we do not have sufficient stock option exercise data since our company was formed in January 2007. We have used the simplified method to value all of our stock options since January 2007. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. For stock options awarded under our 2007 Stock Equity Plan, we recognized $1.3 million, $1.4 million and $0.5 million of compensation expense during fiscal 2009, 2008 and 2007.

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

Grant Date	**2009**	**2008**	**2007**
Expected dividends	0.0%	0.0%	0.0%
Expected volatility	54.2%	55.6%	62.5%

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

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

	Shares	Weighted-Average Grant-Date Fair Value

Nonvested stock options as of June 27, 2008	142,050	$	10.90
Stock options granted	1,043,405	$	2.60
Stock options forfeited or expired	(165,878)	$	4.83
Stock options vested	(49,245)	$	10.77
Nonvested stock options as of July 3, 2009	970,332	$	3.02

As of July 3, 2009, there was $2.3 million of total unrecognized compensation expense related to nonvested stock options granted under our 2007 Stock Equity Plan. This cost is expected to be recognized over a weighted-average period of 1.1 years. The total fair value of stock options that vested during fiscal 2009, 2008 and 2007 was $0.5 million, $1.7 million and zero.

Restricted Stock Awards Under our 2007 Stock Equity Plan

The following information relates to awards of restricted stock that were granted to employees and outside directors under our stock incentive plan. The restricted stock is not transferable until vested and the restrictions lapse upon the achievement of continued employment or service over a specified time period. Restricted stock issued to employees cliff vests three years after grant date. Restricted stock is issued to directors annually and

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

generally vests ratably on a quarterly basis through the annual service period. We recognized $1.0 million, $1.3 million and $0.7 million of compensation expense during fiscal 2009, 2008 and 2007. The fair value of each restricted stock grant is based on the closing price of our Class A Common Stock on the date of grant and is amortized to compensation expense over its vesting period.

A summary of the status of our restricted stock as of July 3, 2009 and changes during fiscal 2009, are as follows:

	Shares		Weighted-Average Grant Date Fair Value
Restricted stock outstanding as of June 27, 2008	144,457	$	16.89
Restricted stock granted	98,819	$	4.25
Restricted stock vested and released	(44,301)	$	8.35
Restricted stock forfeited	(22,000)	$	20.40
Restricted stock outstanding as of July 3, 2009	176,975	$	11.53

As of July 3, 2009, there was $1.1 million of total unrecognized compensation expense related to restricted stock awards under our 2007 Stock Equity Plan. This expense is expected to be recognized over a weighted-average period of 0.5 years. The total fair value of restricted stock that vested during fiscal 2009, 2008 and 2007 was $0.4 million, $0.6 million and $0.2 million.

Performance Share Awards

The following information relates to awards of performance shares that have been granted to employees under our 2007 Stock Equity Plan. Vesting of performance share awards under our fiscal 2007 Long-Term Incentive Plan was subject to performance criteria including meeting net income and cash flow targets for the 30-month plan period ended July 3, 2009 and continued employment at the end of that period. During the third quarter of fiscal 2009, we determined that these net income and cash flow targets would not be achieved for performance share awards made under our fiscal year 2007 Long-Term Incentive Plan. Accordingly, these awards did not vest and were forfeited as of July 3, 2009. Accordingly, for these awards, we recorded a credit to compensation expense of $1.6 million during fiscal 2009.

Vesting of performance share awards under our fiscal year 2009 Long-Term Incentive Plan is subject to performance criteria including meeting net income and cash flow targets for the 3-year plan period ending July 1, 2011 and continued employment at the end of that period. For these awards, we estimate that the performance measures will be achieved at target and recognized $0.5 million of expense during fiscal 2009.

The final determination of the number of performance shares vesting in respect of an award will be determined by our Board of Directors, or a committee of our Board.

During fiscal 2009, 2008, and 2007, we recorded compensation expense (credit) of $(1.1) million, 1.2 million and $0.4 million for all performance share awards.

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of the status of our performance shares as of July 3, 2009, and changes during fiscal 2009, are as follows:

	Shares		Weighted-Average Grant Date Fair Value
Performance shares outstanding as of June 27, 2008	124,800	$	19.80
Performance shares granted	556,111	$	5.64
Performance shares vested and released			
Performance shares forfeited due to target thresholds not achieved	(124,800)	$	19.80
Performance shares forfeited due to terminations	(63,602)	$	5.97
Performance shares outstanding as of July 3, 2009	492,509	$	5.60

As of July 3, 2009, there was $1.7 million of total unrecognized compensation expense related to performance share awards under our stock incentive plan. This expense is expected to be recognized over a weighted-average period of 2.0 years. The total fair value of performance share awards that vested during fiscal 2008 was $0.2 million, with none in fiscal 2009 and 2007.

Stock Options Assumed in the Stratex Acquisition

A summary of stock option activity for fiscal 2009 for stock options assumed in the Stratex acquisition is as follows:

	Number of Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)		Aggregate Intrinsic Value
Stock options outstanding as of June 27, 2008	2,518,464	$	23.36			
Stock options forfeited or expired	(823,956)	$	18.93			
Stock options exercised	(688)	$	8.13			
Stock options outstanding as of July 3, 2009	1,693,820	$	25.52	2.3	$	
Stock options exercisable as of July 3, 2009	1,685,366	$	25.56	2.3	$	
Stock options vested and expected to vest as of July 3, 2009(1)	1,693,537	$	25.52	2.3	$	

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

The aggregate intrinsic value represents the total pre-tax intrinsic value or the aggregate difference between the closing price of our Class A Common Stock on July 3, 2009 of $6.15 and the exercise price for in-the-money options that would have been received by the optionees if all options had been exercised on July 3, 2009.

The total intrinsic value of options exercised during fiscal 2009 and 2008 was zero and $0.8 million, and for fiscal 2007 (the period from January 26, 2007, date of assumption, through June 29, 2007) was $2.5 million at the time of exercise.

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of the status of our nonvested stock options assumed in the Stratex acquisition as of July 3, 2009 and changes during fiscal 2009, are as follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested stock options as of June 27, 2008	159,102	$ 9.38
Stock options forfeited and expired	(13,911)	$ 9.45
Stock options vested	(136,737)	$ 9.39
Nonvested stock options as of July 3, 2009	8,454	$ 9.07

As of July 3, 2009, there was $0.1 million of total unrecognized compensation cost related to the assumed former Stratex options. This cost is expected to be recognized over a weighted-average period of 0.7 years. The total fair value of stock options assumed in the Stratex acquisition that vested during fiscal 2009, 2008 and 2007 was $1.3 million, $1.5 million and $1.8 million.

Summary of All Harris Stratex Stock Options

The following summarizes all of our stock options outstanding as of July 3, 2009:

	Options Outstanding			Options Exercisable	
Actual Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 0.91 - $ 9.96	1,316,413	4.9	$ 6.32	392,640	$ 7.89
$10.40 - $ 17.96	906,368	2.8	$ 16.77	890,796	$ 16.78
$18.04 - $ 27.76	406,031	3.7	$ 22.74	366,590	$ 22.98
$28.12 - $148.00	168,185	0.9	$ 114.33	168,185	$ 114.33
$ 0.91 - $148.00	2,796,997	3.8	$ 18.59	1,818,211	$ 25.14

Note N Business Segments

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

	2009	2008	2007
		(In millions)	
Revenue			
North America Microwave	$ 227.0	$ 232.4	$ 216.3
International Microwave	438.3	461.7	272.2
Network Operations	14.6	24.3	19.4
Total Revenue	$ 679.9	$ 718.4	$ 507.9

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	2009	2008	2007
		(In millions)	
Loss Before Income Taxes			
Segment Operating (Loss) Income:			
North America Microwave(1)	$ (62.7)	$ (9.4)	$ 6.3
International Microwave(2)	(270.8)	(5.7)	(31.3)
Network Operations	(1.8)	1.4	1.3
Corporate allocations expense from Harris			(3.7)
Net interest expense	(1.9)	(0.2)	(0.5)
Loss before income taxes	$ (337.2)	$ (13.9)	$ (27.9)

(1) The following tables summarize certain charges and expenses included in the North America Microwave segment operating results during fiscal 2009, 2008 and 2007:

	2009	2008	2007
		(In millions)	
Goodwill impairment charges	$ 31.8	$	$
Charges for product transition	25.3		
Impairment charges for the trade name Stratex	10.7		
Restructuring charges	5.1	4.9	5.1
Software impairment charges	3.2		
Amortization of developed technology, trade names, customer relationships and non-compete agreements	3.0	2.7	1.4
Amortization of the fair value adjustments related to fixed assets	0.6	1.1	0.4
Cost of integration activities undertaken in connection with the merger		3.2	2.7
Inventory mark-downs		12.9	
Lease impairment		1.8	
Share-based compensation expense	1.8	7.4	5.7
	$ 81.5	$ 34.0	$ 15.3

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) The following tables summarize certain charges and expenses included in the International Microwave segment operating results during fiscal 2009, 2008 and 2007:

	2009	2008	2007
		(In millions)	
Goodwill impairment charges	$ 247.2	$	$
Impairment charges for the trade name Stratex	21.9		
Amortization of developed technology, trade names, customer relationships and non-compete agreements	10.2	11.9	9.1
Charges for product transition	4.5		
Restructuring charges	3.1	2.6	4.2
Acquired in-process research and development	2.4		15.3
Amortization of the fair value adjustments related to fixed assets	1.1	1.7	8.6
Cost of integration activities undertaken in connection with the merger		6.1	3.6
Inventory mark-downs		1.8	
Share-based compensation expense	1.1	0.4	
	$ 291.5	$ 24.5	$ 40.8

We report revenue by country based on the location where our customers accept delivery of our products and services. Revenue by country comprising more than 5% of our sales to unaffiliated customers for fiscal 2009, 2008 and 2007 are as follows:

	2009	% of Total	2008	% of Total	2007	% of Total
			(In millions)			
United States	$ 208.6	30.7%	$ 192.3	26.8%	$ 168.7	33.2%
Nigeria	145.9	21.5%	137.6	19.2%	55.4	10.9%
Poland	36.5	5.4%	29.6	4.1%	16.6	3.3%
Canada	9.2	1.4%	32.2	4.5%	39.9	7.8%
Other	279.7	41.0%	326.7	45.4%	227.3	44.8%
Total	$ 679.9	100.0%	$ 718.4	100.0%	$ 507.9	100.0%

Long-lived assets consisted primarily of identifiable intangible assets, goodwill and property, plant and equipment. Long-lived assets by location as of July 3, 2009 and June 27, 2008 are as follows:

	2009	2008
	(In millions)	
United States	$ 60.4	$ 219.8
Singapore	71.0	237.1
United Kingdom	22.8	12.4
Canada	4.7	32.6
Other countries	5.2	19.6
Total	$ 164.1	$ 521.6

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note O Income Taxes

Loss before provision for (benefit from) income taxes during fiscal 2009, 2008 and 2007 is as follows:

	2009	2008	2007
		(In millions)	
United States	$ (188.0)	$ (69.9)	$ (33.4)
Foreign	(149.2)	56.0	5.5
Total	$ (337.2)	$ (13.9)	$ (27.9)

Provision (benefit) for income taxes for fiscal 2009, 2008 and 2007 are summarized as follows:

	2009	2008	2007
		(In millions)	
Current provision:			
United States	$	$	$
Foreign	1.7	5.5	6.9
State and local	0.1		
Total current provision	1.8	5.5	6.9
Deferred provision (benefit):			
United States	22.1	(16.5)	(11.7)
Foreign	(9.0)	10.8	(0.8)
State and local	2.9	(1.8)	(0.5)
Total deferred provision (benefit)	16.0	(7.5)	(13.0)
	$ 17.8	$ (2.0)	$ (6.1)

The following table summarizes the significant differences between the U.S. Federal statutory tax rate and our effective tax rate for fiscal 2009, 2008 and 2007:

	2009	2008	2007
		(In millions)	

Statutory U.S. Federal tax rate	(35.0)%	(35.0)%	(35.0)%
U.S. valuation allowances	15.1	113.2	9.0
State and local taxes, net of U.S. Federal tax benefit	(0.8)	(12.9)	(1.9)
Goodwill impairment not deductible	16.3		
Foreign income taxed at rates less than the U.S. statutory rate	7.4	(85.5)	4.2
Other	2.3	5.8	1.8
Effective tax rate	5.3%	(14.4)%	(21.9)%

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	July 3, 2009		June 27, 2008	
	Current	Non-Current	Current	Non-Current
	(In millions)			
Deferred tax assets:				
Inventory	$ 18.0	$	$ 18.7	$
Accruals	3.1		5.7	
Unrealized impairment loss		1.2	0.1	1.1
Other reserves and accruals	0.2	0.8	1.9	
Bad debts	6.1		2.6	
Warranty reserve	2.4		2.5	0.2
Deferred costs			0.5	
Depreciation		4.8		2.0
Amortization		17.2		
Other foreign	6.0		3.0	
Stock options		3.3		3.1
Severance and restructuring costs	2.3		2.9	5.0
Deferred revenue		3.4		
Unrealized exchange gain/loss	1.4			
Other		1.2	0.3	1.1
Capital loss carryforward		5.8		7.6
Tax credit carryforwards		28.0		25.2
Tax loss carryforwards		90.2		95.0
Total deferred tax assets	39.5	155.9	38.2	140.3
Valuation allowance	(39.5)	(129.4)	(24.2)	(92.7)
Net deferred tax assets		26.5	14.0	47.6
Deferred tax liabilities:				
Amortization				1.8
Purchased identifiable intangible assets		19.4		30.5
Internally developed software				5.3
Unrealized exchange gain/loss			1.4	
Total deferred tax liabilities		19.4	1.4	37.6
Net deferred tax asset (liability)	$	$ 7.1	$ 12.6	$ 10.0

Our consolidated balance sheet as of July 3, 2009 includes a non-current deferred income tax asset of $8.0 million and a non-current deferred tax liability of $0.9 million. This compares to a net current deferred tax asset of $12.6 million,

a non-current deferred income tax asset of $13.7 million, and a non-current deferred tax liability of $3.7 million as of June 27, 2008. For all jurisdictions for which we have deferred tax assets, we expect that our existing levels of pre-tax earnings are sufficient to generate the amount of future taxable income needed to realize these tax assets. Our valuation allowance related to deferred income taxes, as reflected in our consolidated balance sheet, was $168.9 million as of July 3, 2009 and $116.9 million as of June 27, 2008. The increase in valuation allowance from fiscal 2008 to fiscal 2009 was primarily due to our establishing a valuation allowance on certain deferred tax assets. If we continue to operate at a loss in certain jurisdictions or are unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or time period within which the

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

underlying temporary differences become taxable or deductible, we could be required to increase the valuation allowance against all or a significant portion of our deferred tax assets resulting in a substantial increase in our effective tax rate and a material adverse impact on our operating results.

United States income taxes have not been provided on basis differences in foreign subsidiaries of $11.7 million and $73.1 million as of July 3, 2009 and June 27, 2008, because of our intention to reinvest these earnings indefinitely. The determination of unrecognized deferred U.S. tax liability for foreign subsidiaries is not practicable. Tax loss and credit carryforwards as of July 3, 2009 have expiration dates ranging between one year and no expiration in certain instances. The amount of U.S. tax loss carryforwards as of July 3, 2009 and June 27, 2008 was $201.2 million and $198.5 million and begin to expire in fiscal 2022. Credit carryforwards as of July 3, 2009 and June 27, 2008 was $27.9 million and $24.8 million and certain credits begin to expire in fiscal 2010. The amount of foreign tax loss carryforwards for July 3, 2009 and June 27, 2008 was $50.5 million and $40.2 million. The utilization of a portion of the U.S. net operating losses created prior to the merger is subject to an annual limitation under Section 382 of the Internal Revenue Code as a result of a change of ownership. Income taxes paid were $2.6 million, $2.2 million and $6.6 million during fiscal 2009, 2008 and 2007.

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

During the year ended July 3, 2009, certain temporary taxable differences in the amount of $7.2 million were realized. This realization resulted in a reduction of the valuation allowance placed on Stratex acquired deferred tax assets. The reduction of this valuation allowance was recorded against the goodwill and non-current intangible assets acquired in the Stratex acquisition. The reduction of the acquired intangible assets was required after the impairment reduced our goodwill from the Stratex acquisition to zero. The portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be accounted for through the income statement is $56.1 million. For the year ended June 27, 2008, certain temporary taxable differences in the amount of $30.7 million were realized. This realization resulted in a reduction of the valuation allowance placed on Stratex acquired deferred tax assets. The reduction of this valuation allowance was recorded against the goodwill related to the Stratex acquisition. The portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be allocated to reduce goodwill was $63.3 million as of June 27, 2008.

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

We entered into a tax sharing agreement with Harris Corporation effective on January 26, 2007, the date of the merger. The tax sharing agreement addresses, among other things, the settlement process associated with pre-merger tax liabilities and tax attributes that are attributable to the MCD business when it was a division of Harris Corporation. There were no settlement payments recorded in fiscal 2009, 2008 or 2007.

We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain.

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

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

Our unrecognized tax benefit activity for fiscal 2009 is as follows (in millions):

Unrecognized tax benefit as of June 27, 2008	$ 29.6
Additions for tax positions in prior periods	1.5
Decreases for tax positions in prior periods	(0.2)
Unrecognized tax benefit as of July 3, 2009	$ 30.9

Note P Related Party Transactions with Harris

Prior to the Stratex acquisition, Harris provided information services, human resources, financial shared services, facilities, legal support and supply chain management services to us. The charges for those services were billed to us primarily based on actual usage. On January 26, 2007, we entered into a Transition Services Agreement with Harris to provide for certain services during the periods subsequent to the Stratex acquisition. These services also are charged to us based primarily on actual usage and include database management, supply chain operating systems, eBusiness services, sales and service, financial systems, back office material resource planning support, HR systems, internal and information systems shared services support, network management and help desk support, and server administration and support. During fiscal 2009, 2008 and 2007, Harris charged us $5.5 million, $7.0 million and $6.8 million for these services. We intend to continue utilizing select services from Harris and have extended the terms of the Transition Services Agreement.

We have sales to, and purchases from, other Harris entities from time to time. Prior to January 26, 2007, the entity initiating the transaction sold to the other Harris entity at cost or transfer price, depending on jurisdiction. The entity making the sale to the end customer recorded the profit on the transaction above cost or transfer price, depending on jurisdiction. Subsequent to January 26, 2007, these purchases and sales are recorded at market price. Our sales to other Harris entities were $6.0 million, $3.5 million and $1.9 million in fiscal 2009, 2008 and 2007. We also recognized costs associated with related party purchases from Harris of $3.3 million, $6.1 million and $6.7 million for fiscal 2009, 2008 and 2007.

Harris was the primary source of our financing and equity activities through January 26, 2007, the date of the Stratex acquisition. During the seven months ended January 26, 2007, Harris net investment in us was increased by $24.1 million.

Additionally, through the date of the Stratex acquisition, Harris loaned cash to us to fund our international entities, and we distributed excess cash back to Harris. This arrangement ended on January 26, 2007. We recognized interest income and expense on these loans. The amount of interest income and expense in fiscal 2007 was not significant.

The unpaid amounts billed from Harris are included within Due to Harris Corporation on our Consolidated Balance Sheets. Additionally, we have other receivables and payables in the normal course of business with Harris. These amounts are netted within Due to Harris Corporation on our Consolidated Balance Sheets. Total

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Prior to January 26, 2007, MCD used certain assets in Canada owned by Harris that were not contributed to us as part of the Combination Agreement. We continue to use these assets in our business and we entered into a 5-year lease agreement to accommodate this use. This agreement is a capital lease under generally accepted accounting principles. As of July 3, 2009, our lease obligation to Harris was $1.4 million of which $0.5 million is a current liability and the related asset amount, net of accumulated amortization of $1.4 million is included in property, plant and equipment. Quarterly lease payments are due to Harris based on the amount of 103% of Harris annual depreciation calculated in accordance with U.S. generally accepted accounting principles.

During the first quarter of fiscal 2008, we recognized an impairment charge of $1.3 million on a portion of these assets which is included in our restructuring charges. We also recognized an increase of $0.4 million to the lease obligation balance during fiscal 2008 from a recapitalization under the lease terms, primarily because of the impairment charge discussed above and a rescheduling of the lease payments. During fiscal 2009 we paid Harris $1.4 million under this capital lease obligation. During fiscal 2008, we paid Harris $3.8 million under this capital lease obligation resulting from the $1.3 million impairment discussed above and the lease payments. Our amortization expense on this capital lease was $1.1 million, $1.8 million and $0.8 million in fiscal 2009, 2008 and 2007. As of July 3, 2009, the future minimum payments for this lease are $0.8 million for fiscal 2010, $0.5 million for fiscal 2011 and $0.2 million for fiscal 2012.

Note Q Operating Lease Commitments

We lease sales facilities, administrative facilities and equipment under non-cancelable operating leases. These leases have initial lease terms that extend through fiscal year 2018.

Rental expense for operating leases, including rentals on a month-to-month basis was $11.9 million, $13.6 million and $6.1 million in fiscal 2009, 2008 and 2007.

As of July 3, 2009, our future minimum commitments for all non-cancelable operating facility and equipment leases with an initial lease term in excess of one year are as follows:

	Fiscal Years Ending in June (In millions)	
2010	$	12.0
2011		8.7
2012		3.7
2013		2.0
2014		1.2
Thereafter		1.3

Total	$	28.9

These commitments do not contain any material rent escalations, rent holidays, contingent rent, rent concessions, leasehold improvement incentives or unusual provisions or conditions. We do not consider any of these individual leases material to our operations.

Note R Risk Management, Derivative Financial Instruments and Hedging Activities

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

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

As of July 3, 2009, we had 40 foreign currency forward contracts outstanding with a total net notional amount of $29.2 million consisting of 14 different currencies, primarily the Australian dollar, Canadian dollar, Euro and Polish zloty. Following is a summary by currency of the contract net notional amounts grouped by the underlying foreign currency:

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

The following table presents the fair value of derivative instruments included within our Consolidated Balance Sheet as of July 3, 2009:

	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	(In millions)			

Derivatives designated as hedging instruments under Statement 133:						
Foreign exchange forward contracts	Other current assets	$	0.2	Other current liabilities	$	0.0
Derivatives not designated as hedging instruments under Statement 133:						
Foreign exchange forward contracts	Other current assets	$	0.9	Other current liabilities	$	0.9
Total derivatives		$	1.1		$	0.9

The following table presents the amounts of gains (losses) from cash flow hedges recorded in Other Comprehensive Income, the amounts transferred from Other Comprehensive Income and recorded in revenue

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and cost of products sold, and the amounts associated with excluded time value and hedge ineffectiveness during fiscal 2009 (in millions):

Locations of Gains (Losses) Recorded From Derivatives Designated as Cash Flow Hedges Under Statement 133	Amount of Gain (Loss) Recognized on Derivatives Fiscal Year Ended July 3, 2009
Amount of gain of effective hedges recognized in Other Comprehensive Income	$ 2.6
Amount of gain of effective hedges reclassified from Other Comprehensive Income into:	
Revenue	2.6
Cost of Products Sold	
Amount of loss recorded into Cost of Products Sold associated with excluded time value	
Amount of gain (loss) recorded into Cost of Products Sold due to hedge ineffectiveness	

Refer to Note D Fair Value Measurements of Financial Assets and Financial Liabilities for a description of how the above financial instruments are valued and Note L Accumulated Other Comprehensive (Loss) Income and Comprehensive Loss for additional information on changes in other comprehensive (loss) income for the quarter and three quarters ended July 3, 2009.

Cash Flow Hedges

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

All changes in fair values of outstanding cash flow hedge derivatives, except those associated with excluded time value and hedge ineffectiveness are recorded in the consolidated financial statements and the related gain or loss on the transaction is reflected in net income or loss. In some cases, amounts recorded in other comprehensive income or loss will be released to net income or loss some time after the maturity of the related derivative. The consolidated

statement of income classification of effective hedge results is the same as that of the underlying exposure. For example, results of hedges of revenue and product costs are recorded in revenue and cost of external product sales, respectively, when the underlying hedged transaction is recorded.

As of July 3, 2009, $0.3 million of deferred net losses on both outstanding and matured derivatives accumulated in other comprehensive income or loss are expected to be reclassified to net income or loss during the next twelve months as a result of underlying hedged transactions also being recorded in net income or loss. Actual amounts ultimately reclassified to net income or loss are dependent on the exchange rates in effect when derivative contracts that are currently outstanding mature. As of July 3, 2009, the maximum term over which we are hedging cash flow exposures is five months.

We formally assess both at inception and on an ongoing basis, whether the derivatives that are used in the hedging transaction have been highly effective in offsetting changes in the value or cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. We discontinue hedge

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

accounting when the derivative expires or is sold, terminated, or exercised or it is no longer probable that the forecasted transaction will occur. When it is determined that a derivative is not, or has ceased to be, highly effective as a hedge, we discontinue hedge accounting and redesignate the hedge as a non-Statement 133 hedge, if it is still outstanding at the time the determination is made.

When we discontinue hedge accounting because it is no longer probable that the forecasted transaction will occur in the originally expected period, the gain or loss on the derivative remains in accumulated other comprehensive income or loss and is reclassified to net income or loss when the forecasted transaction affects net income or loss. However, if it is probable that a forecasted transaction will not occur by the end of the originally specified time period or within an additional two-month period of time thereafter, the gains and losses that were accumulated in other comprehensive income or loss will be recognized immediately in net income or loss. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, we will carry the derivative at its fair value on the balance sheet, recognizing future changes in the fair value in cost of external product sales.

Non-Designated Hedges

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

	Fiscal Year Ended July 3, 2009	Location of Gain (Loss) Recognized in Income on Derivatives
Derivatives not designated as hedging instruments:		
Foreign exchange forward contracts	$ 5.4	Cost of products sold

Credit Risk

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

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

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note S Legal Proceedings

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

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

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

Note T Quarterly Financial Data (Unaudited)

The following financial information reflects all normal recurring adjustments, which are, in the opinion of management, necessary for a fair statement of the results of the interim periods. Our fiscal quarters end on the Friday nearest the end of the calendar quarter.

During the closing of our fiscal year 2009 accounts, we determined an error occurred in the calculation of our currency translation expense that affected our previously reported Cost of product sales and services in each of the first three quarters of fiscal 2009. The results for fiscal year 2009 include an adjustment for cumulative currency translation expense of $2.9 million included in Cost of product sales and services. This expense related to un-hedged currency exposure on accounts receivables in Polish Zlotych. The quarterly impact of this translation benefit/(expense) credited/(charged) to Cost of product sales and services was a $0.9 million credit or $0.01 increase to income per common share in the first quarter of fiscal 2009; ($3.3 million) charge or increase ($0.06) to loss per common share in the second quarter of fiscal 2009; ($1.1 million) charge or increase ($0.02) to loss per common share

in the third quarter of fiscal 2009; $0.6 million credit or $0.01 decrease to loss per common share in the fourth quarter of fiscal 2009.

We have concluded that the impact of this error is not material to the previously filed quarterly reports on Form 10-Q for the quarters ended September 26, 2008, January 2, 2009 and April 3, 2009 and do not plan to file amendments to these previously filed quarterly reports on Form 10-Q for those periods. Instead, we will update the amounts for these fiscal 2009 periods when we file on Form 10-Q for these three quarters during fiscal 2010. The

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

summarized quarterly data presented below reflect the correction of this error. Accordingly, summarized quarterly data for fiscal 2009 and 2008 are as follows:

	1st Quarter 09-26-2008	2nd Quarter 01-02-2009	3rd Quarter 04-03-2009	4th Quarter 07-03-2009
	(In millions, except share amounts)			
Fiscal 2009				
Revenue	$ 195.8	$ 190.9	$ 158.0	$ 135.2
Gross margin	$ 59.1	$ 51.1	$ 16.5	$ 47.7
Income (loss) from operations	$ 7.7	$ (294.8)	$ (35.2)	$ (13.0)
Net income (loss)	$ 6.5	$ (318.7)	$ (39.4)	$ (3.4)
Per share data(1):				
Basic net income (loss) per share of Class A and Class B Common Stock	$ 0.11	$ (5.43)	$ (0.67)	$ (0.06)
Diluted net income (loss) per share of Class A and Class B Common Stock(2)	$ 0.10	$ (5.43)	$ (0.67)	$ (0.06)
Market price range of one share of Class A Common Stock:				
High	$ 11.45	$ 7.85	$ 7.24	$ 6.75
Low	$ 6.85	$ 3.26	$ 3.00	$ 3.91

	1st Quarter 09-28-2007	2nd Quarter 12-28-2007	3rd Quarter 03-28-2008	4th Quarter 06-27-2008
	(In millions, except share amounts)			
Fiscal 2008				
Revenue	$ 172.3	$ 181.1	$ 178.2	$ 186.8
Gross margin	$ 47.0	$ 49.0	$ 50.3	$ 43.9
(Loss) income from operations	$ (0.0)	$ (4.4)	$ 5.8	$ (15.1)
Net (loss) income	$ (0.2)	$ (3.2)	$ 5.2	$ (13.7)
Per share data(1):				
Basic net (loss) income per share of Class A and Class B Common Stock	$ (0.0)	$ (0.05)	$ 0.09	$ (0.23)
Diluted net (loss) income per share of Class A and Class B Common Stock(2)	$ (0.0)	$ (0.05)	$ 0.05	$ (0.23)
Market price range of one share of Class A Common Stock:				
High	$ 20.90	$ 19.97	$ 18.75	$ 11.44
Low	$ 15.90	$ 15.41	$ 8.53	$ 8.88

(1) The net income (loss) per common share amounts are the same for Class A and Class B because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation. Net income (loss) per share are computed independently for each of the quarters presented. Therefore, the sum of the quarterly per share totals may not equal the total for the year.

(2) During the first quarter of fiscal 2009 and third quarter of fiscal 2008, the calculations of diluted earnings per share include a potential deduction to net income of $0.2 million and $2.1 million for the assumed after-tax effect of the change in fair value of warrants using the treasury stock method.

(3) Prior to January 26, 2007, the Company was a division of Harris Corporation and there were no shares outstanding for purposes of net income or loss per share calculations. Basic and diluted weighted average shares

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

outstanding are calculated based on the daily outstanding shares, reflecting the fact that no shares were outstanding prior to January 26, 2007. Our Class A Common Stock began trading on the NASDAQ Global Market on January 30, 2007 under the symbol HSTX. Therefore, the sum of the quarterly net loss per share totals will not equal the total for the year.

We have not paid cash dividends on our Common Stock and do not intend to pay cash dividends in the foreseeable future. As of July 3, 2009, we had approximately 5,800 stockholders of record of our Class A Common Stock.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.*

None.

Item 9A. *Controls and Procedures.*

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Our disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Management has conducted an evaluation, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)). Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, as of July 3, 2009.

Management s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the Company s internal control over financial reporting based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and presentation.

Based on our assessment, management has concluded that we maintained effective internal control over financial reporting as of July 3, 2009.

The attestation report of Ernst & Young LLP, an independent registered public accounting firm, on our internal control over financial reporting appears on page 59 in this Annual Report.

Remediation of Material Weaknesses in Internal Control over Financial Reporting

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

During fiscal 2009, we implemented the following changes in our internal control over financial reporting to address previously reported material weaknesses:

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

Table of Contents

We now generate and review a project work in process exposure report each quarter to ensure work in process is properly relieved of costs.

We have trained appropriate personnel in the methods of review of the project costs and created a high-level awareness of the importance of more thorough project cost reviews.

We conduct regular reviews to ensure the timely closing of projects.

We ensure that project costs are properly reconciled and aged balances are evaluated on a quarterly basis.

2. Management designed and/or implemented several key initiatives to strengthen our process for reconciling balance sheet accounts.

We accelerated the on-going implementation of software tools to track the account reconciliation process with all major subsidiaries now tracked.

We instituted procedures to ensure the timely completion of account reconciliations supported by a sub-ledger or other independent documentation or calculation with 100% of key account reconciliations now prepared, reviewed, and approved prior to filing financial statements.

We dedicated additional resources to ensure timely reviews of account reconciliations and resolution of aged balances and reconciling items.

Changes in Internal Control over Financial Reporting

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

Item 9B. ***Other Information.***

None.

PART III

Certain information required by Part III is omitted from this Annual Report on Form 10-K because we will file a Definitive Proxy Statement with the Securities and Exchange Commission within 120 days after the end of our fiscal year ended July 3, 2009.

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

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

Information regarding our directors and compliance with Section 16(a) of the Securities and Exchange Act of 1934, as amended, by our directors and executive officers will appear in our definitive Proxy Statement for our 2009 Annual Meeting of Shareholders to be held on or about November 19, 2009 and is incorporated herein by reference.

Item 11. ***Executive Compensation.***

Information regarding our executive compensation will appear in our definitive Proxy Statement for our 2009 Annual Meeting of Shareholders to be held on or about November 19, 2009 and is incorporated herein by reference.

Table of Contents

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

Equity Compensation Plan Summary

The following table provides information as of July 3, 2009, relating to our equity compensation plan pursuant to which grants of options, restricted stock and performance shares may be granted from time to time and the option plans and agreements assumed by us in connection with the Stratex acquisition:

Plan Category	Number of Securities to be Issued Upon Exercise of Options and Vesting of Restricted Stock and Performance Shares		Weighted-Average Exercise Price of Outstanding Options(1)	Number of Securities Remaining Available for Further Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity Compensation plan approved by security holders(2)	1,857,381	$	7.94	3,058,363
Equity Compensation plans not approved by security holders(3)	1,693,820	$	25.52	
Total	3,551,201	$	18.59	3,058,363

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

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

(3) Consists of common stock that may be issued pursuant to option plans and agreements assumed pursuant to the Stratex acquisition. The Stratex plans were duly approved by the shareholders of Stratex prior to the merger with us. No shares are available for further issuance.

For further information on our equity compensation plans see Note B Significant Accounting Policies and Note M Share-Based Compensation in the Notes to Consolidated Financial Statements included in Item 8.

The other information required by this item will appear in our definitive Proxy Statement for our 2009 Annual Meeting of Shareholders to be held on or about November 19, 2009 and is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence.***

Information regarding certain relationships and related transactions, and director independence will appear under Transactions with Related Persons and Corporate Governance in our definitive Proxy Statement for our 2009 Annual Meeting of Shareholders to be held on or about November 19, 2009 and is incorporated herein by reference.

Item 14. ***Principal Accountant Fees and Services.***

Information regarding our principal accountant fees and services will appear in our definitive Proxy Statement for our 2009 Annual Meeting of Shareholders to be held on or about November 19, 2009 and is incorporated herein by reference.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules.***

a) The following documents are filed as a part of this Annual Report on Form 10-K:

	Page
(1) *List of Financial Statements Filed as Part of this Annual Report on Form 10-K* The following financial statements and reports of Harris Stratex Networks, Inc. and its consolidated subsidiaries are included in Part II, Item 8. of this Annual Report on Form 10-K at the page numbers referenced below:	
Report of Independent Registered Public Accounting Firm	58
Report of Independent Registered Public Accounting Firm	59
Consolidated Statements of Operations Fiscal Years ended July 3, 2009; June 27, 2008; and June 29, 2007	60
Consolidated Balance Sheets July 3, 2009 and June 27, 2008	61
Consolidated Statements of Cash Flows Fiscal Years ended July 3, 2009; June 27, 2008; and June 29, 2007	62
Consolidated Statement of Shareholders Equity and Comprehensive Loss Fiscal Years ended July 3, 2009; June 27, 2008; and June 29, 2007	63
Notes to Consolidated Financial Statements	64
(2) *Financial Statement Schedules:* For each of the Fiscal Years ended July 3, 2009; June 27, 2008; and June 29, 2007 Schedule II Valuation and Qualifying Accounts and Reserves	121

All other schedules are omitted because they are not applicable, the amounts are not significant, or the required information is shown in the Consolidated Financial Statements or the Notes thereto.

(3) *Exhibits:*

The following exhibits are filed herewith or are incorporated herein by reference to exhibits previously filed with the SEC:

Ex. #	Description
2.1	Amended and Restated Formation, Contribution and Merger Agreement, dated as of December 18, 2006, among Harris Corporation, Stratex Networks, Inc., Harris Stratex Networks, Inc. and Stratex Merger Corp. (incorporated by reference to Appendix A to the proxy statement/prospectus forming a part of the Registration Statement on Form S-4 of Harris Stratex Networks, Inc. filed with the Securities and Exchange Commission on January 3, 2007, File No. 333-137980)
2.2	Letter Agreement, dated as of January 26, 2007, among Harris Corporation, Stratex Networks, Inc., Harris Stratex Networks, Inc. and Stratex Merger Corp. (incorporated by reference to Exhibit 2.1.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
2.3	Agreement and Plan of Merger by and among Harris Stratex Networks Operating Corporation, Eagle Networks Merger Corporation, Telsima Corporation and the Holder Representative dated as of

	February 27, 2009 (incorporated by reference to Exhibit 2.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on March 6, 2009, File No. 001-33278)
3.1	Amended and Restated Certificate of Incorporation of Harris Stratex Networks, Inc. as filed with the Secretary of State of the State of Delaware on January 26, 2007 (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form 8-A filed with the Securities and Exchange Commission on January 26, 2007, File No. 001-33278)
3.2	Amended and Restated Bylaws of Harris Stratex Networks, Inc., (incorporated by reference to Exhibit 3.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on September 3, 2008, File No. 001-33278)

Ex. #	Description
4.1	Specimen common stock certificates (incorporated herein by reference to Exhibit 4.1 to the Company s Annual Report on Form 10-K for the fiscal year ended June 29, 2007 filed with the Securities and Exchange Commission on August 27, 2007, File No. 001-33278)
4.2	Registration Rights Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.3 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
4.3	Certificate of Designations of Series A Junior Participating Preferred Stock of Harris Stratex Networks, Inc., dated April 20, 2009 (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on April 22, 2009, File No. 001-33278)
10.1	Investor Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.2	Non-Competition Agreement among Harris Stratex Networks, Inc., Harris Corporation and Stratex Networks, Inc. dated January 26, 2007 (incorporated by reference to Exhibit 10.2 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
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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)

117

Table of Contents

Ex. #	Description
10.13.1*	Third Amendment to Employment Agreement, dated as of December 15, 2006, by and between Stratex Networks, Inc. and Charles D. Kissner (incorporated by reference to Exhibit 10.29 to Amendment No. 2 to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on December 19, 2006, File No. 333-137980)
10.14*	Standard Form of Executive Employment Agreement between Harris Stratex Networks, Inc. and certain executives (incorporated by reference to Exhibit 10.16 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
10.15	Form of Indemnification Agreement between Harris Stratex Networks, Inc. and its directors and certain officers (incorporated by reference to Exhibit 10.16 to the Registration Statement on Form S-1 of Stratex Networks, Inc., File No. 33-13431)
10.16	Sublicense Agreement, effective as of January 26, 2007, between Harris Stratex Networks, Inc. and Harris Stratex Networks Operating Corporation (incorporated by reference to Exhibit 10.22 to the Company s Annual Report on Form 10-K for the fiscal year ended June 29, 2007 filed with the Securities and Exchange Commission on August 27, 2007. File No. 001-33278)
10.17*	Harris Stratex Networks, Inc. Annual Incentive Plan (incorporated by reference to Exhibit 10.17 to the Company s Annual Report on Form 10-K for the fiscal year ended June 27, 2008 filed with the Securities and Exchange Commission on September 25, 2008, File No. 001-33278)
10.18*	Harris Stratex Networks, Inc. 2007 Stock Equity Plan (incorporated by reference to Exhibit 4.9 to the Registration Statement on Form S-8 filed with the Securities and Exchange Commission on February 5, 2007, File No. 333-140442)
10.19	Credit Agreement between Harris Stratex Networks, Inc., Harris Stratex Networks Operating Corporation, Harris Stratex Networks(S) Pte. Ltd., Bank of America, N.A., Silicon Valley Bank, Banc of America Securities Asia Limited and Banc of America Securities LLC, dated June 30, 2008 (incorporated by reference to Exhibit 10.19 to the Company s Annual Report on Form 10-K for the fiscal year ended June 27, 2008 filed with the Securities and Exchange Commission on September 25, 2008, File No. 001-33278)
10.20	Amended and Restated Loan and Security Agreement between Stratex Networks, Inc. and Silicon Valley Bank, dated January 21, 2004 (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of Stratex Networks, Inc. on January 22, 2004, File No. 000-15895)
10.20.1	Amendment No. 5 to Amended and Restated Loan and Security Agreement between Harris Stratex Networks Operating Corporation, a wholly owned subsidiary of Harris Stratex Networks, Inc. and the successor to Stratex Networks, Inc. and Silicon Valley Bank, dated February 23, 2007 (incorporated herein by reference to Exhibit 10.28.5 to the Company s Annual Report on Form 10-K for the fiscal year ended June 29, 2007 filed with the Securities and Exchange Commission on August 27, 2007. File No. 001-33278)
10.21	Rights Agreement, dated as of April 20, 2009, between Harris Stratex Networks, Inc. and Mellon Investor Services LLC, as Rights Agent, which includes the Form of Certificate of Designations of Series A Junior Participating Preferred Stock (Exhibit A), the Form of Right Certificate (Exhibit B) and the Summary of Rights to Purchase Preferred Shares (Exhibit C) (incorporated by reference to Exhibit 4.2 to the Report on Form 8-K filed with the Securities and Exchange Commission on April 22, 2009, File No. 001-33278)
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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)

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Ex. #	Description
10.24.1*	Amendment A, effective as of April 1, 2006, to Employment Agreement, dated May 14, 2002, between Stratex Networks, Inc. and Paul Kennard (incorporated by reference to Exhibit 10.2 to the Stratex Networks, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006 filed with the Securities and Exchange Commission on August 9, 2006, File No. 000-15895)
10.24.2*	Amendment B, effective as of April 1, 2006, to Employment Agreement, dated May 14, 2002, between Stratex Networks, Inc. and Paul Kennard (incorporated by reference to Exhibit 10.3 to the Stratex Networks, Inc. Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006 filed with the Securities and Exchange Commission on August 9, 2006, File No. 000-15895)
10.25*	Employment Agreement, dated as of May 14, 2002, between Stratex Networks, Inc. and Shaun McFall
10.25.1*	Amendment, effective April 1, 2006, to Employment Agreement, dated May 14, 2002, between Stratex Networks, Inc. and Shaun McFall
21	List of Subsidiaries of Harris Stratex Networks, Inc.
23	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certification of Chief Executive Officer.
32.2	Section 1350 Certification of Chief Financial Officer.

* Management compensatory contract, arrangement or plan required to be filed as an exhibit pursuant to Item 15(b) of this report.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HARRIS STRATEX NETWORKS, INC.
(Registrant)

By: /s/ Harald J. Braun
Harald J. Braun
President and Chief Executive Officer

Date: September 3, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Harald J. Braun Harald J. Braun	President, Chief Executive Officer and Director (Principal Executive Officer)	September 3, 2009
/s/ Thomas L. Cronan, III Thomas L. Cronan, III	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	September 3, 2009
/s/ J. Russell Mincey J. Russell Mincey	Vice President, Corporate Controller and Principal Accounting Officer (Principal Accounting Officer)	September 3, 2009
/s/ Charles D. Kissner Charles D. Kissner	Chairman of the Board	September 3, 2009
/s/ Eric C. Evans Eric C. Evans	Director	September 3, 2009
/s/ William A. Hasler William A. Hasler	Director	September 3, 2009
/s/ Clifford H. Higgerson	Director	September 3, 2009

Clifford H. Higgerson		
/s/ Dr. Mohsen Sohi	Director	September 3, 2009
Dr. Mohsen Sohi		
/s/ James C. Stoffel	Director	September 3, 2009
James C. Stoffel		
/s/ Edward F. Thompson	Director	September 3, 2009
Edward F. Thompson		

Table of Contents

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES

Years Ended July 3, 2009, June 27, 2008 and June 29, 2007

		Additions			
	Balance at Beginning of Period ($)	(1) Charged to Costs and Expenses ($)	(2) Charged to Other Accounts Describe ($)	(Additions) Deductions Describe ($)	Balance at End of Period ($)
			(In millions)		
Allowances for collection losses:					
Year ended July 3, 2009	12.6	9.9		(4.5)(A)	27.0
Year ended June 27, 2008	8.5	3.7		(0.4)(B)	12.6
Year ended June 29, 2007	8.1	1.5		1.1(C)	8.5
Inventory reserves:					
Year ended July 3, 2009	35.6	23.1		8.8(D)	49.9
Year ended June 27, 2008	14.2	24.6		3.2(E)	35.6
Year ended June 29, 2007	18.2	3.2		7.2(F)	14.2
Deferred tax asset valuation allowance(H):					
Year ended July 3, 2009	116.9	50.8	1.2(G)		168.9
Year ended June 27, 2008	96.9	15.6	4.4(G)		116.9
Year ended June 29, 2007	69.2	2.6	25.1(G)		96.9
Warranty reserves:					
Year ended July 3, 2009	6.9	4.0		5.4(I)	5.5
Year ended June 27, 2008	6.7	8.5		8.3(J)	6.9
Year ended June 29, 2007	3.9	2.8		(K)	6.7

Note A Consists of changes to allowance for collection losses of $0.1 million for foreign currency translation losses, $6.4 million in additions from the acquisition of Telsima and $1.8 million for uncollectible accounts charged off, net of recoveries on accounts previously charged off.

Note B Consists of changes to allowance for collection losses of $0.5 million for foreign currency translation gains and $0.1 million for uncollectible accounts charged off, net of recoveries on accounts previously charged off.

Note C Consists of additions to allowance for collection losses of $0.2 million for foreign currency translation gains, $0.8 million in additions from the acquisition of Stratex Networks and deductions of $2.1 million for uncollectible accounts charged off, net of recoveries on accounts previously charged off.

Note D Consists of additions to inventory reserves of $0.2 million for foreign currency translation losses, $8.6 million in deductions from obsolescence and excess inventory charged off.

Note E Consists of additions to inventory reserves of $0.3 million for foreign currency translation gains, $4.9 million in deductions from obsolescence and excess inventory charged off and $1.4 million in other inventory reserve adjustments.

Note F Consists of additions to inventory reserves of $7.2 million in deductions from obsolescence and excess inventory charged off.

Note G Deferred tax asset recorded as an adjustment to goodwill and identified intangible assets under purchase accounting and reclass of Harris Corporation Intercompany deferred tax assets.

Note H Additions to deferred tax valuation allowance are recorded as expense.

Note I Consists of warranty settlements of $5.7 million, partially offset by $0.3 million from the Telsima acquisition.

Note J Consists of warranty settlements of $8.4 million, partially offset by $0.1 million in foreign currency translation adjustments.

Note K Consists of warranty settlements of $4.7 million, offset by $4.6 million from the Stratex acquisition and $0.1 million in foreign currency translation adjustments.

Table of Contents

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)
3.1	Amended and Restated Certificate of Incorporation of Harris Stratex Networks, Inc. as filed with the Secretary of State of the State of Delaware on January 26, 2007 (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form 8-A filed with the Securities and Exchange Commission on January 26, 2007, File No. 001-33278)
3.2	Amended and Restated Bylaws of Harris Stratex Networks, Inc., (incorporated by reference to Exhibit 3.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on September 3, 2008, File No. 001-33278)
4.1	Specimen common stock certificates (incorporated herein by reference to Exhibit 4.1 to the Company s Annual Report on Form 10-K for the fiscal year ended June 29, 2007 filed with the Securities and Exchange Commission on August 27, 2007, File No. 001-33278)
4.2	Registration Rights Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.3 to the Report on Form 8-K filed with the Securities and Exchange Commission on February 1, 2007, File No. 001-33278)
4.3	Certificate of Designations of Series A Junior Participating Preferred Stock of Harris Stratex Networks, Inc., dated April 20, 2009 (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K filed with the Securities and Exchange Commission on April 22, 2009, File No. 001-33278)
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