2017
Proxy Statement & Annual Report

Aviat Networks, Inc.

February 12, 2018

To Our Stockholders:

I'm very proud of what we accomplished in fiscal 2017 and would like to sincerely thank our employees for their unwavering commitment to our customers, partners and stockholders. Our relentless focus on *Operational Excellence* and driving innovation throughout the Company on behalf of our customers, enabled us to achieve significant improvements in our financial performance and is the basis for much of our optimism in fiscal 2018 and years to come.

Our Fiscal Year 2017 Financial Results

For fiscal year 2017, we reported total revenue of $241.9 million, compared with revenue of $268.7 million in the prior year. Within this, international revenues declined as anticipated, while North America revenues increased by 5.3% as we continued to build on our momentum with private network customers. On a GAAP basis, gross margins of 31.2%, representing an increase of 820 basis points, and on a Non-GAAP basis, gross margins of 31.4% represented an increase of 650 basis points, reflecting the enhancements in our supply chain and services operations. We took aggressive steps to align personnel and improve processes, while continuously focusing on reducing fixed expenses. As an outcome, we reported a year-over-year reduction of 14.3% in GAAP operating expenses and 13% in Non-GAAP operating expenses, excluding the impact of share-based compensation.

I'm most pleased that we generated significant year-over-year bottom-line improvements. We reported a GAAP operating loss of $1.0 million, an improvement of $26.5 million. On a Non-GAAP basis, we reported positive operating income of $1.9 million, a year-over-year improvement of $20.0 million. We also reported a GAAP loss from continuing operations attributable to Aviat Networks of $0.8 million, which marked a year-over-year improvement of $29.6 million and we generated Non-GAAP income from continuing operations attributable to Aviat Networks of $0.7 million, which represented a $20.2 million improvement compared to fiscal 2016. Lastly, fiscal 2017 Adjusted EBITDA of $7.6 million was a $19.3 million improvement compared to fiscal 2016.

We strengthened our balance sheet and finished fiscal 2017 with $35.7 million in cash and cash equivalents, a $5.2 million year-over-year increase. We generated positive cash from operations and virtually all working capital metrics, especially our cash conversion cycles, were at historically best levels as we exited the fiscal year.

Executing Our Strategy

As I look back on the year, I can safely say that we executed on our plan. While there are still some challenges for the industry, particularly in the international markets, we have significantly strengthened our infrastructure, processes, R&D capabilities, customer relationships, and our overall business.

- We said we would focus and allocate more resources to capitalize on growth opportunities in North America and we did; growing revenue by $6.6 million.

- We said we would aggressively go after new private network deals where our technology and services are highly-differentiated and we did; winning several new state and local government contracts, extending our reach within the financial services vertical, and continuing to build out our public utility customer base. Private networks revenue grew in fiscal 2017 and represented more than half of our total mix.

- We talked about R&D and our focus on extending our technology leadership. In fiscal 2017, we significantly improved our solution set, bringing to market and unveiling new products while further enhancing our services. We launched WTM 4000, the highest capacity radio ever made which broadens our customer reach and capabilities. We launched our RAC70 offering, which provides customers with the opportunity to more than double the over-the-air capacity of our Eclipse radio platform. And we continued to build out our IP/MPLS capabilities, which enabled us to win competitive private network deals in fiscal 2017, while strengthening our solutions for our service provider customers.

- We are instilling a Process Excellence mindset throughout the Company. This has entailed a realignment of our operating structure and processes, investments in Lean training and automation, and a more efficient way of running our business. We are delivering significant improvements in non-GAAP gross margins, non-GAAP operating expenses and all profitability metrics. Process Excellence also extended to our financial controls and drove many improvements in working capital.

Fiscal 2018

We are approximately halfway through the fiscal year and as our results demonstrate, our progress continues. Margins and expenses, both GAAP and Non-GAAP, are tracking in line or ahead of plan. GAAP operating income of $1.7 million through the first six months of fiscal 2018, marked an improvement of $2.1 million and on a Non-GAAP basis, operating income of $3.3 million represents an increase of $2.2 million. GAAP income from continuing operations of $4.4 million was an improvement of $3.4 million over the first half of fiscal 2017 and Non-GAAP income from continuing operations of $2.3 million represents an increase of $1.8 million. Additionally, for the first half of 2018, our cash balance increased to $42.1 million, an increase of $5.9 million from the fiscal 2017 year-end. These results reflect a tremendous amount of positive activity at Aviat and we are positioned well as we move into the second half of the fiscal year.

Looking ahead at the full fiscal year, we expect to generate revenue growth of up to 5% with significant bottom-line and balance sheet improvements. Our plan calls for Non-GAAP gross margin growth of up to 100 basis points and Non-GAAP operating expenses to be roughly in line with the prior fiscal year. Non-GAAP operating income is anticipated to be between $5.0 and $7.0 million compared to $1.9 million in fiscal 2017 and adjusted EBITDA is expected to be between $11.0 and $13.0 million, representing an increase of approximately 45% to 70% year-over-year. Our balance sheet should also continue to strengthen, and we expect to generate cash from operations and end fiscal 2018 with a higher cash balance. Further, our working capital metrics should remain among the best in our Company's history.

Summary

In closing, we are confident that we will achieve our fiscal 2018 outlook. Our business processes and efficiencies continue to improve, and our competitive positioning has been enhanced as a result of our continued focus on innovation. We are succeeding with our targeted sales approach in growing our footprint throughout North America with our traditional private network accounts as well as new verticals. We have also maintained our position with our service provider customers, while adding some new accounts. We are building a much stronger pipeline of business opportunities which drives our optimism, both this year and in the years ahead.

On behalf of our Board of Directors and all Aviat Networks employees, I want to thank you our shareholders for your continued support of our Company, and I look forward to reporting on our progress throughout the year.

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

This letter to Stockholders contains statements that qualify as "forward looking statements" under the Private Securities Litigation Reform Act of 1995, including, but not limited to our plans, strategies and objectives for future operations, expectations regarding future performance and opportunities to improve business processes. These and other risks, uncertainties and factors may cause our actual results to be materially different from those expressed or implied by each forward-looking statement. These other risks, uncertainties and other factors are discussed in our fiscal year 2017 Form 10-K and in our other filings with the Securities and Exchange Commission. You should not rely on any forward-looking statements. We undertake no obligation to update publicly any forward-looking statement, whether written or oral, for any reason, except as required by law, even as new information becomes available or other events occur in the future.

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AVIAT NETWORKS, INC.

Fiscal Year Ended June 30, 2017 Summaries

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES AND REGULATION G DISCLOSURE

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

AVIAT NETWORKS, INC.

Fiscal Year 2017 Summaries
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES [(1)]
Condensed Consolidated Statements of Operations
(Unaudited)

	Fiscal Year Ended			
	June 30, 2017	**% of Revenue**	July 1, 2016	% of Revenue
	(in thousands, except percentages and per share amounts)			
GAAP gross margin	**$ 75,472**	**31.2 %**	$ 61,717	23.0 %
WTM inventory (recovery) write-down	**(176)**		5,057	
Performance bond expense	**365**		—	
Share-based compensation	**208**		154	
Non-GAAP gross margin	**75,869**	**31.4 %**	66,928	24.9 %
GAAP research and development expenses	**$ 18,684**	**7.7 %**	$ 20,806	7.7 %
Share-based compensation	**(138)**		(110)	
Non-GAAP research and development expenses	**18,546**	**7.7 %**	20,696	7.7 %
GAAP selling and administrative expenses	**$ 57,184**	**23.6 %**	$ 65,902	24.5 %
Share-based compensation	**(1,765)**		(1,572)	
Non-GAAP selling and administrative expenses	**55,419**	**22.9 %**	64,330	23.9 %
GAAP operating loss	**$ (985)**	**(0.4)%**	$ (27,446)	(10.2)%
WTM inventory (recovery) write-down	**(176)**		5,057	
Performance bond expense	**365**		—	
Share-based compensation	**2,111**		1,836	
Restructuring charges	**589**		2,455	
Non-GAAP operating income (loss)	**1,904**	**0.8 %**	(18,098)	(6.7)%
GAAP income tax provision	**$ 16**	**— %**	$ 1,635	0.6 %
Tax refund from Inland Revenue Authority of Singapore	**3,741**		—	
Adjustment to reflect pro forma tax rate	**(2,557)**		(435)	
Non-GAAP income tax provision	**1,200**	**0.5 %**	1,200	0.4 %

	Fiscal Year Ended			
	June 30, 2017	% of Revenue	July 1, 2016	% of Revenue
	(in thousands, except percentages and per share amounts)			
GAAP loss from continuing operations attributable to Aviat Networks	**$ (823)**	**(0.3)%**	$ (30,448)	(11.3)%
Share-based compensation	**2,111**		1,836	
Restructuring charges	**589**		2,455	
Nigeria FX (gain) loss on dividend receivable	**213**		1,245	
WTM inventory (recovery) write-down	**(176)**		5,057	
Performance bond expense	**365**		—	
Gain on liquidation of subsidiary	**(349)**		—	
Tax refund from Inland Revenue Authority of Singapore	**(3,741)**		—	
Adjustment to reflect pro forma tax rate	**2,557**		435	
Non-GAAP (loss) income from continuing operations attributable to Aviat Networks	**$ 746**	**0.3 %**	$ (19,420)	(7.2)%
Diluted income (loss) per share from continuing operations attributable to Aviat Networks' stockholders:				
GAAP	**$ (0.16)**		$ (5.81)	
Non-GAAP	**$ 0.14**		$ (3.71)	
Weighted average shares outstanding, diluted:				
GAAP	**5,292**		5,238	
Non-GAAP	**5,450**		5,238	
ADJUSTED EBITDA:				
GAAP loss from continuing operations attributable to Aviat Networks	**$ (823)**	**(0.3)%**	$ (30,448)	(11.3)%
Depreciation and amortization of property, plant and equipment	**5,840**		6,648	
Interest	**(211)**		(148)	
Share-based compensation	**2,111**		1,836	
Restructuring charges	**589**		2,455	
Nigeria FX (gain) loss on dividend receivable	**213**		1,245	
WTM inventory (recovery) write-down	**(176)**		5,057	
Performance bond expense	**365**		—	
Gain on liquidation of subsidiary	**(349)**		—	
Provision for income taxes	**16**		1,635	
Adjusted EBITDA attributable to Aviat Networks	**$ 7,575**	**3.1 %**	$ (11,720)	(4.4)%

(1) The adjustments above reconcile our GAAP financial results to the non-GAAP financial measures used by us. Our non-GAAP (loss) income from continuing operations attributable to Aviat Networks excluded share-based compensation and other non-recurring charges (recovery). Adjusted EBITDA attributable to Aviat Networks was determined by excluding depreciation and amortization on property, plant and equipment, interest, provision for income taxes, and non-GAAP pre-tax adjustments, as set forth above, from the GAAP loss from continuing operations attributable to Aviat Networks. We believe that the presentation of these non-GAAP items provides meaningful supplemental information to investors, when viewed in conjunction with, and not in lieu of, our GAAP results. However, the non-GAAP financial measures have not been prepared under a comprehensive set of accounting rules or principles. Non-GAAP information should not be considered in isolation from, or as a substitute for, information prepared in accordance with GAAP. Moreover, there are material limitations associated with the use of non-GAAP financial measures.

AVIAT NETWORKS, INC.
860 N. McCarthy Blvd., Suite 200, Milpitas, California 95035
Notice of Annual Meeting of Stockholders for Fiscal Year 2017
To Be Held on Tuesday, March 20, 2018

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

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders for fiscal year 2017 (the "Annual Meeting") of Aviat Networks, Inc. (the "Company") will be held at our facilities, located at 860 N. McCarthy Blvd., Suite 200, Milpitas, California 95035, on Tuesday, March 20, 2018, at 11:00 a.m., local time, for the following purposes:

1. To elect six directors to serve until the Company's 2018 Annual Meeting of Stockholders or until their successors have been elected and qualified.

2. To vote on the ratification of the appointment by our Audit Committee of BDO USA, LLP ("BDO") as the Company's independent registered public accounting firm for fiscal year 2018.

3. To hold an advisory, non-binding vote to approve the Company's named executive officer compensation ("Say-on-Pay").

4. To hold an advisory, non-binding vote on the frequency of holding votes on Say-on-Pay (once every year, every two years or three years).

5. To approve the Aviat Networks, Inc. 2018 Incentive Plan.

6. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement or other delay thereof.

Only holders of common stock at the close of business on February 2, 2018 are entitled to notice of and to vote at the Annual Meeting.

Whether or not you expect to attend the Annual Meeting in person, we urge you to submit a proxy to vote your shares. This will help ensure the presence of a quorum at the Annual Meeting.

By Order of the Board of Directors

February 12, 2018

/s/ Meena Elliott
Senior Vice President, Chief Legal & Administrative Officer, Corporate Secretary

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on March 20, 2018

The proxy statement and annual report to stockholders are available at https://materials.proxyvote.com/05366Y

Your vote is important regardless of the number of shares you own. The Board of Directors urges you to sign, date and return the enclosed proxy card by mail (using the enclosed postage-paid envelope) as promptly as possible, or vote electronically or by telephone as described in the attached proxy statement. If you have any questions or need assistance in voting your shares, please contact Broadridge, toll-free at 1-800-690-6903.

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AVIAT NETWORKS, INC.

PROXY STATEMENT

FOR THE ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON TUESDAY, MARCH 20, 2018

This proxy statement (this "Proxy Statement") applies to the solicitation of proxies by the Board of Directors (the "Board") of Aviat Networks, Inc. (which we refer to as "Aviat," the "Company," "we," "our," and "ours") for use at the Annual Meeting of Stockholders for fiscal year 2017 and any adjournment, postponement or other delay thereof (the "Annual Meeting"), to be held at 11:00 a.m., local time, on Tuesday, March 20, 2018. The Annual Meeting will be held at our facilities located at 860 N. McCarthy Blvd., Suite 200, Milpitas, California 95035. The telephone number at that location is (408) 941-7100. These proxy materials are being made available on or about February 12, 2018, to our stockholders entitled to notice of and to vote at the Annual Meeting.

ABOUT THE ANNUAL MEETING

What is the purpose of the Annual Meeting?

The purpose of the Annual Meeting is to obtain stockholder action on the matters outlined in the notice of meeting included with this Proxy Statement. All holders of shares of common stock at the close of business on February 2, 2018 are entitled to notice of and to vote at the Annual Meeting. At the Annual Meeting, our stockholders will vote (i) to elect six directors; (ii) on the ratification of the appointment by our Audit Committee of BDO USA, LLP ("BDO") as our independent registered public accounting firm for fiscal year 2018; (iii) on an advisory, non-binding resolution to approve the Company's named executive officer compensation ("Say-on-Pay"); (iv) on an advisory, non-binding resolution to approve the frequency of holding votes on Say-on-Pay; and (v) to approve the Company's 2018 Incentive Plan (the "2018 Plan").

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

The record date for the stockholders entitled to vote at the Annual Meeting is February 2, 2018 (the "Record Date"). The Record Date was established by the Board as required by the Delaware General Corporation Law and our Bylaws. Owners of shares of our common stock at the close of business on the Record Date are entitled to receive notice of the Annual Meeting and to vote at the Annual Meeting. You may vote all shares that you owned as of the Record Date.

What are the voting rights of the holders of common stock at the Annual Meeting?

Each outstanding share of our common stock is entitled to one vote on each matter considered at the Annual Meeting. As of the Record Date, there were 5,340,851 shares of our common stock outstanding.

Who may attend the Annual Meeting?

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

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

Each stockholder may be asked to present valid picture identification, such as a driver's license or passport. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting. You may contact us by calling (408) 941-7100 for directions to the Annual Meeting.

How do I vote?

Stockholders of record can vote by proxy as follows:

- Via the Internet: Stockholders may submit voting instructions through the Internet by following the instructions included with the proxy card.

- By Telephone: Stockholders may submit voting instructions by telephone by following the instructions included with the proxy card.

- By Mail: Stockholders may sign, date and return their proxy card in the pre-addressed, postage-paid envelope provided.

- At the Annual Meeting: If you attend the Annual Meeting, you may vote in person by ballot, even if you have previously returned a proxy card.

If you hold your shares in “street name,” the bank, broker or other holder of record holding your shares will send you separate instructions describing the procedure for voting your shares. If you hold your shares in “street name,” you will not be able to vote in person by ballot at the Annual Meeting unless you have previously requested and obtained a “legal proxy” from your broker, bank or other holder of record and present it at the Annual Meeting.

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

Pursuant to Securities and Exchange Commission rules, we have provided access to our proxy materials over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the “Notice”) to our stockholders of record and beneficial owners of shares held in “street name.” All stockholders will have the ability to access the proxy materials on a website referred to in the Notice or request a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the Notice. In addition, the Notice contains information on how stockholders may request delivery of proxy materials in printed form by mail or electronically by email on an ongoing basis.

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

This Proxy Statement, the form of proxy card, the Notice and our annual report on Form 10-K for the fiscal year ended June 30, 2017 are available at www.Proxyvote.com.

Why is Aviat soliciting proxies?

In lieu of personally attending and voting at the Annual Meeting, you may appoint a proxy to vote on your behalf. The Board has designated proxy holders to whom you may submit your voting instructions. The proxy holders for the Annual Meeting are John Mutch, Chairman of the Board, Michael Pangia, President and Chief Executive Officer (“CEO”), and Meena Elliott, Senior Vice President, Chief Legal & Administrative Officer, Corporate Secretary.

How do I revoke my proxy?

If you are a stockholder of record, you may revoke your proxy at any time before your shares are voted at the Annual Meeting by:

- delivering a written notice of revocation to the Company’s Secretary, Meena Elliott, at 860 N. McCarthy Blvd., Suite 200, Milpitas, CA 95035;

- signing, dating and returning a proxy card bearing a later date;

- submitting another proxy by Internet or telephone (the latest dated proxy will control); or

- attending the Annual Meeting and voting in person by ballot.

If you hold your shares in "street name," you should follow the directions provided by the bank, broker or other holder of record to revoke your proxy. Regardless of how you hold your shares, your attendance at the Annual Meeting after having executed and delivered a valid proxy card will not in and of itself constitute a revocation of your proxy.

What vote is required to approve each item?

- Proposal No. 1 (election of directors): the director nominees will be elected by a majority of the votes cast. Stockholders may not cumulate votes in the election of directors. **The Board recommends a vote "FOR" all nominees.**

- Proposal No. 2 (ratification of BDO as the Company's independent registered public accounting firm): the affirmative vote by the holders of common stock entitled to cast a majority of the voting power of all of the common stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the proposal is necessary for approval of Proposal No. 2. **The Board recommends a vote "FOR" Proposal No. 2.**

- Proposal No. 3 (advisory, non-binding vote on named executive officer compensation): the affirmative vote by the holders of common stock entitled to cast a majority of the voting power of all of the common stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the proposal is necessary for approval of Proposal No. 3. **The Board recommends a vote "FOR" Proposal No. 3.**

- Proposal No. 4 (advisory, non-binding vote on the frequency of holding votes on Say-on-Pay): the affirmative vote of a plurality of the voting power of all of the common stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the proposal will determine the frequency with which stockholders will vote on an advisory basis on Say-on-Pay (meaning the vote frequency that receives the highest number of shares voted for it, whether once every one, two or three years, will be selected). **The Board recommends a vote "FOR" a frequency of "ONCE A YEAR" under Proposal No. 4.**

- Proposal No. 5 (approval of the 2018 Plan): the affirmative vote by the holders of common stock entitled to cast a majority of the voting power of all of the common stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the proposal is necessary for approval of Proposal No. 5. **The Board recommends a vote "FOR" Proposal No. 5.**

What happens if a director does not receive a sufficient number of votes?

Aviat's Corporate Governance Guidelines provide that a director nominee who receives a greater number of votes "AGAINST" his or her election than votes "FOR" his or her election must promptly offer his or her resignation to the Board. The Board will determine whether to accept the nominee's resignation. See "Majority Vote Policy in Director Elections" for additional information.

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

The presence at the Annual Meeting either in person or by proxy of the holders of common stock entitled to cast a majority of the voting power of all of the common stock issued and outstanding and entitled to vote at the Annual Meeting constitutes a quorum for the transaction of business at the Annual Meeting.

Abstentions and broker "non-votes" are counted as present and are, therefore, included for purposes of determining whether a quorum is present at the Annual Meeting. An abstention occurs when a stockholder does not vote for or against a proposal but specifically abstains from voting. A broker "non-vote" occurs when a bank, broker or other holder of record holding shares in street name for a beneficial owner signs and submits a proxy or votes with respect to shares of common stock held in a fiduciary capacity, but does not vote on a particular matter because the bank, broker or other holder of record does not have discretionary voting power with respect to that matter and has not received instructions from the beneficial owner or because the bank, broker or other holder of record elects not to vote on a matter as to which it does have discretionary voting power. Under the rules governing banks, brokers and other holders of record who are voting with respect

to shares held in street name, such entities have the discretion to vote such shares on routine matters but not on non-routine matters. Only Proposal No. 2 is a routine matter.

For Proposal No. 1, abstentions and broker "non-votes", if any, will be disregarded and have no effect on the outcome of the vote. For Proposals No. 2, No.3, No. 4 and No. 5, abstentions will have the same effect as voting against the proposal, and broker "non-votes", if any, will be disregarded and have no effect on the outcome of the vote.

Who pays for the cost of solicitation?

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

In addition, the Company has retained D.F. King & Co. to assist it in the solicitation of proxies. The Company has agreed to pay D.F. King & Co. a fee of $10,500, plus reimbursement for their reasonable out-of-pocket expenses. The Company has also agreed to indemnify D.F. King & Co. against certain liabilities and expenses, including certain liabilities and expenses under the federal securities laws.

What is the deadline for submitting proposals and director nominations for the 2018 Annual Meeting?

In order for any stockholder to submit nominations of directors or propose business to be considered before our 2018 Annual Meeting, a stockholder of record must submit a written notice thereof, which notice must be received by our Corporate Secretary at our principal executive offices not earlier than December 20, 2018, or later than January 19, 2019. The full requirements for the submission of nominations of directors and proposals of business to be considered are contained in Article II, Sections 13 and 14, respectively, of our Bylaws, which are available for review at our website, www.aviatnetworks.com.

Stockholder proposals intended for inclusion in next year's proxy statement pursuant to Rule 14a-8 under the Securities Exchange Act of 1934 (the "Exchange Act") must be directed to the Corporate Secretary, Aviat Networks, Inc., at our principal executive offices, and must be received by November 10, 2018.

In accordance with the rules of the SEC, the proxies solicited by the Board for the 2018 Annual Meeting will confer discretionary authority on the proxy holders to vote on any director nomination or stockholder proposal presented at the 2018 Annual Meeting if the Company fails to receive notice of such matter in accordance with the periods specified above.

Who will count the votes?

Broadridge will tabulate the votes cast by proxy. The Company has retained an independent inspector of elections in connection with Aviat's solicitation of proxies for the Annual Meeting. Aviat intends to notify stockholders of the results of the Annual Meeting by filing a Form 8-K with the SEC.

CORPORATE GOVERNANCE

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

Board Members

The authorized size of the Board is six. Directors are nominated by the Governance and Nominating Committee of the Board.

The following are the members of the Board as of the date of this Proxy Statement. See Proposal No. 1 for additional information regarding the nominees for director.

Name	Title and Positions
John Mutch	Director, Chairman of the Board
Wayne Barr Jr.	Director
Kenneth Kong	Director
Michael A. Pangia	Director, President and Chief Executive Officer
John J. Quicke	Director
Dr. James C. Stoffel	Director

The Board has determined that each of our current directors except Mr. Pangia has no relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and is otherwise independent in accordance with listing rules of the NASDAQ Stock Market (the “NASDAQ Listing Rules”).

All of our directors are requested to attend our annual meetings of stockholders. Five of our directors serving at the time of our 2016 Annual Meeting attended either in person or via telephone.

Board and Committee Meetings and Attendance

In fiscal year 2017, the Board held ten meetings. Each of the Board members attended at least 90% of the Board meetings and at least 83% of the total number of meetings of the committee or committees on which the member served.

Board Member Qualifications

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

Our bylaws provide that a director may not be older than 75 years of age on the date of his or her election or appointment to the Board unless otherwise specifically approved by a resolution passed by the Board.

Directors’ Biographies

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

Mr. John Mutch, age 61, currently serves as Chairman of the Board and has served on the Board since January 2015. He served on the Board of Directors of Steel Excel Inc. (“Steel Excel”), a provider of drilling and production services to the oil and gas industry and a provider of event-based sports services and other health-related services, from 2007 to 2016. From December 2008 to January 2014, he served as Chairman of the Board of Directors and Chief Executive Officer of Beyondtrust Software, a privately-held security software company. Mr. Mutch has been the founder and managing partner of MV Advisors LLC (“MV Advisors”), a strategic block investment firm that provides focused investment and strategic

guidance to small and mid-cap technology companies, since December 2005. Prior to founding MV Advisors, in March 2003, Mr. Mutch was appointed by the U.S. Bankruptcy court to the Board of Directors of Peregrine Systems, Inc. ("Peregrine Systems"), a provider of enterprise asset and service management solutions. He assisted that company in a bankruptcy work-out proceeding and was named President and Chief Executive Officer in July 2003. Previous to running Peregrine Systems, Mr. Mutch served as President, Chief Executive Officer and a director of HNC Software, an enterprise analytics software provider. Before HNC Software, Mr. Mutch spent seven years at Microsoft Corporation in a variety of executive sales and marketing positions. Mr. Mutch previously served on the Boards of Directors of Phoenix Technologies Ltd., a leader in core systems software products, services and embedded technologies, Edgar Online, Inc., a provider of financial data, analytics and disclosure management solutions, Aspyra, Inc., a provider of clinical and diagnostic information systems for the healthcare industry, Overland Storage, Inc., a provider of unified data management and data protection solutions, and Brio Software, Inc., a provider of business intelligence software. He has served as a director at Agilysys, Inc., a provider of information technology solutions, since March 2009. Since April 2017, Mr. Mutch has served as a director at Maxwell Technologies, Inc., a manufacturer of energy storage and power delivery solutions for automotive, heavy transportation, renewable energy, backup power, wireless communications and industrial and consumer electronics applications, and since July 2017 he has served as a director at YuMe, Inc., a provider of digital video brand advertising solutions.

Mr. Mutch brings to the Board extensive experience as an executive in the technology sector. He also has experience as a director at several public companies in the technology sector. He is or has been a member of the audit committee of various public and private companies, and brings valuable financial expertise to the Board.

Mr. Wayne Barr, Jr., age 53, has served as a member of the Board since November 2016. Mr. Barr is currently the chairman of the board of directors of Concurrent Computer Corporation, a global software and solutions company (NASDAQ: CCUR), a position he has held since July 2017. He has served on the Concurrent board since August 2016 and serves on the compensation committee and nominating committee and is chairman of the audit committee of the Concurrent board. Mr. Barr also serves on the board of directors of HC2 Holdings, Inc. ("HC2"), a diversified holding company, a position he has held since January 2014. From January 2014 until July 2016, Mr. Barr served on the Audit Committee (chairman), Compensation Committee and Nominating and Governance Committee of the HC2 Board of Directors. Mr. Barr also serves as a director of four HC2 private portfolio companies. Mr. Barr has also served as the Managing Director of Alliance Group of NC, LLC, a full-service real estate brokerage firm in Raleigh, NC since January 2013, and as the Principal of Oakleaf Consulting Group LLC, a management consulting firm focusing on technology and telecommunications companies, since he founded the company in 2001. He previously served as a founder and President of Capital & Technology Advisors, Inc. from October 2003 until 2006 and served as Senior Managing Director of Communication Technology Advisors LLC from May 2001 to June 2005. From 1999 until 2001, Mr. Barr was a member of TechOne Capital Group, a private investment firm. From 1995 until 1999, Mr. Barr served as an Associate General Counsel of CAI Wireless Systems Inc., which was acquired by WorldCom Inc. in August 1999. He began his career as an attorney in private practice. Mr. Barr is a director of IoSat Holdings Ltd., a private satellite services provider. Mr. Barr was a director of Evident Technologies Inc. from 2005 until 2016, and has served on the Boards of Directors of Globix Corporation from 2004 to 2005, Anacomp from 2002 to 2003, Leap Wireless International Inc. from 2003 to 2004 and NEON Communications Group, Inc. in 2005.

Mr. Barr brings to the Board his extensive experience as a senior executive and a member of various boards of directors.

Mr. Kenneth Kong, age 43, has served as a member of the Board since November 2016. He is a Senior Vice President at Steel Services, Ltd. ("Steel Services"), a management and advisory company that provides management services to Steel Partners Holdings, L.P. and its affiliates. As an investment professional at Steel Services, Mr. Kong sources and analyzes investment opportunities in publicly traded securities in a diverse number of industries. He is also a member of the Mergers and Acquisitions team at Steel Services focused on deal sourcing, due diligence and analysis. Since joining the firm in 1997 as an investment analyst, Mr. Kong also performed in various key positions in managing investor relations, marketing and administration for Steel Partners II, L.P., Steel Partners Japan Strategic Fund, L.P. and Steel Partners China Access I, L.P. From 2006 to 2016, he managed Steel Partners China Access I, L.P., a private investment fund focused on investing in publicly listed state owned enterprises in the People's Republic of China. Mr. Kong currently serves as a Trustee BNS Holding Liquidating Trust, Inc. since 2012 and as a Director of Ore Holdings, Inc. since October 2010. Additionally, he has served as a Director on several private companies.

Mr. Kong's brings to the Board an extensive knowledge of capital allocation and related matters.

Mr. Michael A Pangia, age 56, has been our President and CEO and a member of the Board since July 2011. From March 2009 to July 2011, he served as our Chief Sales Officer where he was responsible for company-wide operations of the Global Sales and Services organization. Prior to joining Aviat, Mr. Pangia served as senior vice president, Global Sales Operations and Strategy, at Nortel, where he was responsible for all operational aspects of the Global Sales function. Prior to that, he was president of Nortel's Asia region, where his key responsibilities included sales and overall business management for all countries in the region where Nortel did business.

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

Mr. John J. Quicke, age 68, has served as a member of the Board since January 2015. Mr. Quicke has served as a director of Rowan Companies, plc, an offshore contract drilling company, since January 2009. Since January 2016, he has served as a consultant, and as Chairman of Steel Energy Services LTD, a subsidiary of Steel Partners Holdings, L.P. He served on the Board of Directors of Steel Excel from 2007 to July 2016, and served as its Interim President and Chief Executive Officer from January 2010 to March 2013. In March 2013, he was named President and Chief Executive Officer of Steel Excel's Steel Energy segment and served in that capacity until December 2015. Mr. Quicke served as Managing Director and operating partner of Steel Partners LLC, a subsidiary of Steel Partners Holdings L.P. from September 2005 until December 2015. Mr. Quicke has been associated with Steel Partners and its affiliates since September 2005. Previously, Mr. Quicke served in various capacities at Sequa Corporation, a diversified manufacturer, including Vice Chairman and Executive Officer, President, and as a director of the company. Mr. Quicke previously served as a Vice President and director of Handy & Harman Ltd. ("H&H"), director, President and Chief Executive Officer of DGT Holdings Corp. and as a director of Angelica Corporation, a provider of health care linen management services, Layne Christensen Company, a global solutions provider for essential natural resources, NOVT Corporation, a vascular brachytherapy business, JPS Industries, Inc., a manufacturer of mechanically formed glass and aramid substrate materials for specialty applications and H&H.

Mr. Quicke's extensive experience, including board service on ten public companies over 20 years, over 25 years of significant operating experience, which includes participation in acquisition and disposition transactions, as well as his financial and accounting expertise, enable him to assist in the effective management of the Company.

Dr. James C. Stoffel, age 71, has served as a member of the Board since January 2007 and a lead independent director from July 2010 to February 2015. Presently, Dr. Stoffel is on the Board of Directors of Harris Corporation, of which he has been a member since August 2003, and is also a member of its Corporate Governance Committee. Additionally, since 2006 he has served as General Partner of Trillium International, LLC, a private equity company, and is a senior advisor to other private equity companies. He also serves on the boards of the following privately held companies: Display Data, Omni-ID Ltd., Quintel Ltd., and Intrinsiq Ltd. Prior to his retirement, Dr. Stoffel was Senior Vice President, Chief Technical Officer and Director of Research and Development of Eastman Kodak Company ("Kodak"). He held this position from 2000 to April 2005. He joined Kodak in 1997 as Vice President and Director, Electronic Imaging Products Research and Development, and became Director of Research and Engineering in 1998. Prior to joining Kodak, he was with Xerox Corporation ("Xerox"), where he began his career in 1972. His most recent position with Xerox was Vice President, Corporate Research and Technology. Dr. Stoffel serves on the Advisory Board for Research and Graduate Studies at the University of Notre Dame.

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

Board Leadership

The Board does not have a policy regarding the separation of the roles of CEO and Chairman of the Board as the Board believes that it is in the best interests of the Company for the Board to make that determination based on the position and direction of the Company and the membership of the Board. The members of the Board possess considerable experience and unique knowledge of the challenges and opportunities that the Company faces, and are in the best position to evaluate the needs of the Company and how to best organize the capabilities of the directors and management to meet those needs.

When the CEO also serves as Chairman of the Board, our Corporate Governance Guidelines provide for the appointment of a lead independent director.

The Board has determined that having Mr. Mutch serve as Chairman is in the best interest of the Company at this time. This structure ensures a greater role for the independent directors in the oversight of the Company and active participation of the independent directors in setting agendas and establishing Board priorities and procedures, and is useful in establishing a system of corporate checks and balances. Separating the Chairman position from the CEO position allows the CEO to focus on setting the strategic direction of the Company and the day-to-day leadership and performance of the Company, while the Chairman leads the Board in its role of, among other things, providing advice to, and overseeing the performance of, the CEO. In addition, managing the Board can be a time-intensive responsibility, and this structure permits Mr. Pangia, our CEO, to focus on the management of the Company's day-to-day operations.

The Board's Role in Risk Oversight

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

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

Principles of Corporate Governance, Bylaws and Other Governance Documents

The Board has adopted Corporate Governance Guidelines and other corporate governance documents that supplement certain provisions of our Bylaws and relate to, among other things, the composition, structure, interaction and operation of the Board. Some of the key governance features of our Corporate Governance Guidelines, Bylaws and other governance documents are summarized below.

Majority Voting in Director Elections. In an uncontested election of directors, to be elected to the Board, each nominee must receive the affirmative vote of shares representing a majority of the votes cast, meaning that the number of votes "FOR" a director nominee must exceed the number of votes "AGAINST" that director nominee.

Aviat's Corporate Governance Guidelines provide that any director nominee in an uncontested election who does not receive a greater number of votes "FOR" his or her election than votes "AGAINST" such election must, promptly following certification of the stockholder vote, offer his or resignation to the Board for consideration in accordance with the following procedures. All of these procedures will be completed within 90 days following certification of the stockholder vote.

The Board, through its Qualified Independent Directors (as defined below), will evaluate the best interests of the Company and its stockholders and decide the action to be taken with respect to such offered resignation, which can include, without limitation: (i) accepting the resignation; (ii) accepting the resignation effective as of a future date not later than 180

days following certification of the stockholder vote; (iii) rejecting the resignation but addressing what the Qualified Independent Directors believe to be the underlying cause of the withhold votes; (iv) rejecting the resignation but resolving that the director will not be re-nominated in the future for election; or (v) rejecting the resignation.

In reaching their decision, the Qualified Independent Directors will consider all factors they deem relevant, including but not limited to: (i) any stated reasons why stockholders did not vote for such director; (ii) the extent to which the "AGAINST" votes exceed the votes "FOR" the election of the director and whether the "AGAINST" votes represent a majority of the outstanding shares of common stock; (iii) any alternatives for curing the underlying cause of the "AGAINST" votes; (iv) the director's tenure; (v) the director's qualifications; (vi) the director's past and expected future contributions to the Company; (vii) the overall composition of the Board, including whether accepting the resignation would cause the Company to fail or potentially fail to comply with any applicable law, rule or regulation of the SEC or the NASDAQ Listing Rules; and (viii) whether such director's continued service on the Board for a specified period of time is appropriate in light of current or anticipated events involving the Company.

Following the Board's determination, the Company will, within four business days, disclose publicly in a document furnished or filed with the Securities and Exchange Commission (the "SEC") the Board's decision as to whether or not to accept the resignation offer. The disclosure will also include a description of the process by which the decision was reached, including, if applicable, the reason or reasons for rejecting the offered resignation.

A director who is required to offer his or her resignation in accordance with this policy may not be present during the deliberations or voting whether to accept his or her resignation or, except as otherwise provided below, a resignation offered by any other director in accordance with this policy. Prior to voting, the Qualified Independent Directors may afford the affected director an opportunity to provide any information or statement that he or she deems relevant.

For purposes of this policy, "Qualified Independent Directors" means all directors who (i) are independent directors (as defined in accordance with the NASDAQ Listing Rules) and (ii) are not required to offer their resignation in connection with an election in accordance with this policy. If there are fewer than three independent directors then serving on the Board who are not required to offer their resignations in accordance with this policy, then the Qualified Independent Directors means all of the independent directors, and each independent director who is required to offer his resignation in accordance with this policy must recuse himself from the deliberations and voting only with respect to his individual offer to resign.

All nominees for election as a director in an uncontested election are deemed to have agreed to abide by this policy and will offer to resign and will resign if requested to do so in accordance with this policy (and will if requested submit an irrevocable resignation letter, subject to this majority voting policy, as a condition to being nominated for election).

Prohibition Against Pledging Aviat Securities and Hedging Transactions. In accordance with Aviat's Code of Conduct, directors and executive officers are prohibited from pledging Aviat securities and engaging in hedging transactions with respect to Aviat securities. Aviat specifically prohibits directors and executive officers from holding Aviat securities in any margin account for investment purposes or otherwise using Aviat securities as collateral for a loan. Such persons are also prohibited from purchasing certain instruments (including prepaid variable forward contracts, equity swaps, and collars) and engaging in transactions designed to hedge or offset any decrease in the value of Aviat securities.

Board Committees

The Board maintains an Audit Committee, a Compensation Committee and a Governance and Nominating Committee, as its regular committees. Copies of the charters for the Audit Committee, the Compensation Committee and the Governance and Nominating Committee are available on our website at www.investors.aviatnetworks.com/documents.cfm.

The following table shows, at the conclusion of fiscal year 2017, the Chairman and members of each committee, the number of committee meetings held and the principal functions performed by each committee.

Committee	Number of Meetings in Fiscal 2017	Members	Principal Functions
Audit	8	John Mutch* Wayne Barr Jr. John J. Quicke	• Selects our independent registered public accounting firm • Reviews reports of our independent registered public accounting firm • Reviews and pre-approves the scope and cost of all services, including all non-audit services, provided by the firm selected to conduct the audit • Monitors the effectiveness of the audit process • Reviews management's assessment of the adequacy of financial reporting and operating controls • Monitors corporate compliance program
Compensation	7	Dr. James C. Stoffel* John J. Quicke Kenneth Kong	• Reviews our executive compensation policies and strategies • Oversees and evaluates our overall compensation structure and programs
Governance and Nominating	4	John J. Quicke* Dr. James Stoffel John Mutch	• Develops and implements policies and practices relating to corporate governance • Reviews and monitors implementation of our policies and procedures • Reviews the process by which management identifies and mitigates key areas of risk and reviews critical risk areas with the Board • Assists in developing criteria for open positions on the Board • Reviews and recommends nominees for election of directors to the Board • Reviews and recommends policies, if needed for selection of candidates for directors

* Chairman of Committee

Audit Committee

The Audit Committee is primarily responsible for selecting, and approving the services performed by, our independent registered public accounting firm, as well as reviewing our accounting practices, corporate financial reporting and system of internal controls over financial reporting. No material amendments to the Audit Committee Charter were made during fiscal year 2017. During fiscal year 2017, the Audit Committee was comprised of independent, non-employee members of our Board who were "financially sophisticated" under the NASDAQ Listing Rules.

The Board has determined that Mr. Mutch qualifies as an "audit committee financial expert," as defined under Item 407(d)(5)(i) of Regulation S-K under the Securities Act of 1933 and the Exchange Act. Such status does not impose on any director duties, liabilities or obligations that are greater than the duties, liabilities or obligations otherwise imposed on a director as members of our Audit Committee and the Board.

Compensation Committee

The Compensation Committee has the authority and responsibility to approve our overall executive compensation strategy, to administer our annual and long-term compensation plans and to review and make recommendations to the Board regarding executive compensation. The Compensation Committee is comprised of independent, non-employee members of the Board in accordance with NASDAQ Listing Rules. During fiscal year 2017, the Compensation Committee utilized Pearl Meyer & Partners, LLC ("Pearl Meyer") as an independent, third-party consulting firm.

Compensation Committee Interlock and Insider Participation

No member of the Compensation Committee was an officer or employee or former officer of the Company. None of our executive officers currently serves or in the past year has served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board or Compensation Committee.

Governance and Nominating Committee

Each member of the Governance and Nominating Committee met the independence requirements of the NASDAQ Listing Rules.

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

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

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

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

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

Stockholder Communications with the Board

Stockholders who wish to communicate directly with the Board may do so by submitting a comment via the Company’s website at www.investors.aviatnetworks.com/contactBoard.cfm or by sending a letter addressed to: Aviat Networks, Inc., c/o Corporate Secretary, 860 N. McCarthy Blvd., Suite 200, Milpitas, California 95035. The Corporate Secretary monitors these communications and provides a summary of all received messages to the Board at its regularly scheduled meetings. When warranted by the nature of communications, the Corporate Secretary will request prompt attention by the appropriate committee or independent director of the Board, independent advisors or management. The Corporate Secretary may decide in her judgment whether a response to any stockholder communication is appropriate.

Code of Conduct

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

TRANSACTIONS WITH RELATED PERSONS

During fiscal year 2017, we believe there were no transactions, or series of similar transactions, to which we were or are to be a party in which the amount exceeded $120,000, and in which any of our directors or executive officers, any holders of more than 5% of our common stock or any members of any such person’s immediate family, had or will have a direct or indirect material interest, other than compensation described in the sections titled “Director Compensation and Benefits” and “Executive Compensation.”

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

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

DIRECTOR COMPENSATION AND BENEFITS

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

Directors who are not employees of ours received the following fees, as applicable, for their services on our Board during fiscal year 2017:

- $60,000 basic annual cash retainer, payable on a quarterly basis, which a director may elect to receive in the form of shares of common stock;
- $25,000 annual cash retainer, payable on a quarterly basis, for service as Chairman of the Board;
- $10,000 annual cash retainer, payable on a quarterly basis, for service as Chairman of the Audit Committee;
- $5,000 annual cash retainer, payable on a quarterly basis, for service as Chairman of the Governance and Nominating Committee;

- $8,000 annual cash retainer, payable on a quarterly basis, for service as Chairman of the Compensation Committee; and

- Annual grant of restricted shares of common stock valued (based on market prices on the date of grant) at $60,000, with 100% vesting at the earlier of (1) the day before the annual stockholders' meeting, or (2) one year from grant date, subject to continuing service as a director.

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

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

Fiscal Year 2017 Compensation of Non-Employee Directors

Our non-employee directors received the following aggregate amounts of compensation in respect of fiscal year 2017:

Name	Fees Earned and Paid in Cash	Stock Awards (2)	Total
	($)	($)	($)
Wayne Barr (1)	30,000	61,741	91,741
Kenneth Kong (1)	30,000	61,741	91,741
John Mutch	95,000	61,741	156,741
John J. Quicke	65,000	61,741	126,741
Dr. James C. Stoffel	68,000	61,741	129,741

1. Mr. Barr and Mr. Kong became directors in November 2016.
2. The amounts shown in this column reflect the aggregate grant date fair value of the stock awards and option awards granted to our non-employee directors computed in accordance with FASB ASC Topic 718. The assumptions made in determining the fair values of our stock awards and option awards are set forth in Notes 1 and 8 to our fiscal year 2017 Consolidated Financial Statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended June 30, 2017, as filed with the SEC on September 6, 2017.

As of June 30, 2017, our non-employee directors held the following numbers of unvested restricted shares of common stock and stock options, all of which were granted under the 2007 Plan:

Name	Unvested Stock Awards
Wayne Barr Jr.	4,474
Kenneth Kong	4,474
John Mutch	4,474
John J. Quicke	4,474
Dr. James C. Stoffel	4,474

Indemnification

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

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

- The benefits allowable under Delaware law in effect on the date the indemnification bylaw was adopted, or as such law may be amended;

- The benefits available under liability insurance obtained by us; and

- Such benefits as may otherwise be available to the director or officer under our existing practices.

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

In addition, the Company has entered into indemnification agreement with each director and officer.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Except as noted below, the following table sets forth information with respect to the beneficial ownership of our common stock as of February 1, 2018 by each person or entity known by us to beneficially own more than 5 percent of our common stock, by our directors, by our nominees for director, by our named executive officers and by all our directors, nominees for director and executive officers as a group. Except as indicated in the footnotes to this table, and subject to applicable community property laws, the persons listed in the table below have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them. Unless otherwise indicated, the address of each of the beneficial owners identified is c/o Aviat Networks, Inc., 860 N. McCarthy Blvd., Suite 200, Milpitas, California 95035. As of February 1, 2018, there were 5,340,851 shares of our common stock outstanding.

	Shares Beneficially Owned as of February 1, 2018[1]		
Name and Address of Beneficial Owner	Number of Shares of Common Stock [2]		Percentage of Voting Power of Common Stock
Steel Partners Holdings L.P. 590 Madison Avenue, 32nd Floor New York, NY	670,240	(3)	12.5%
Schneider Capital Management Corporation 460 E. Swedesford Road, Suite 2000 Wayne, PA 19087	518,792	(4)	9.7%
Royce and Associates, LLC 745 Fifth Avenue New York, NY 10151	373,572	(5)	7.0%
Group comprised of Julian Singer, JDS1, LLC and David S. Oros c/o Julian Singer 2200 Fletcher Avenue, Suite 501 Fort Lee, NJ 07024	345,291	(6)	6.5%
Renaissance Technologies 600 Route 25A East Setauket, New York 11733	340,988	(7)	6.4%
Named Executive Officers, Nominees for Director, and Directors			
Wayne Barr, Jr.	4,474	(9)	*
Meena Elliott	35,889	(8)	*
Kenneth Kong	4,474	(8)	*
Ralph S. Marimon	3,188	(9)	*
Shaun McFall	42,154	(10)	*
John Mutch	19,245	(9)	*
Michael Pangia	123,841	(11)	2.3%
John J. Quicke	27,579	(9)	*
Dr. James C. Stoffel	27,551	(12)	*
Heinz H. Stumpe	43,281	(13)	*
All directors, nominee for director and executive officers as a group (10 persons)	331,676	(14)	6.0%

* Less than one percent

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

(2) Shares of common stock that a person has the right to acquire within 60 days are deemed to be outstanding and beneficially owned by that person for the purpose of computing the total number of shares beneficially owned by that person and the percentage ownership of that person, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person or group. Accordingly, the amounts in the table include shares of common stock that such person has the right to acquire within 60 days of February 1, 2018 by the exercise of stock options.

(3) Based solely on a review of Amendment No. 6 to the Schedule 13D filed with the SEC on January 13, 2015 by Steel Excel Inc., Steel Partners Holdings L.P., SPH Group LLC, SPH Group Holdings LLC and Steel Partners Holdings GP Inc. Each of the foregoing entities reported shared voting and dispositive power with respect to all of such shares.

(4) Based solely on a review of the Schedule 13F filed with the SEC on November 13, 2017 by Schneider Capital Management Corporation. Schneider Capital Management Corporation reported sole voting power with respect to 461,040 of such shares and sole dispositive power with respect to all of such shares.

(5) Based solely on a review of the Schedule 13F filed with the SEC on January 17, 2018 by Royce & Associates, LLC. Royce & Associates, LLC reported sole voting and dispositive power with respect to all such shares.

(6) Based solely on a review of the Schedule 13D filed with the SEC on September 14, 2016, by Julian Singer, JDS1, LLC and David S. Oros. Mr. Singer and JDS1, LLC reported sole voting and dispositive power with respect to 295,291 shares. Mr. Oros reported sole voting and dispositive power with respect to 50,000 shares.

(7) Based solely on a review of the Schedule 13F filed with the SEC on November 13, 2017, by Renaissance Technologies LLC. Renaissance Technologies LLC reported sole voting power with respect to 292,702 of such shares, and sole dispositive power with respect to all such shares.

(8) Includes 27,822 shares of common stock that are subject to option that may be exercised within 60 days of February 1, 2018.

(9) Information is as of February 1, 2018. There were no option or restricted stock units that may be exercised or that will vest within 60 days of February 1, 2018.

(10) Includes 31,192 shares of common stock that are subject to option that may be exercised within 60 days of February 1, 2018.

(11) Includes 91,293 shares of common stock that are subject to option that may be exercised within 60 days of February 1, 2018.

(12) Includes 6,943 shares of common stock that are subject to option that may be exercised within 60 days of February 1, 2018.

(13) Includes 35,737 shares of common stock that are subject to option that may be exercised within 60 days of February 1, 2018.

(14) Includes 192,987 shares of common stock that are subject to option that may be exercised within 60 days of February 1, 2018.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

For fiscal year 2017, the Audit Committee consisted of four members of the Board, each of whom was independent of the Company and its management, as defined in the NASDAQ Listing Rules. The Board has adopted, and periodically reviews, the Audit Committee charter. The charter specifies the scope of the Audit Committee's responsibilities and how it carries out those responsibilities.

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

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

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

In accordance with its responsibilities, the Audit Committee has reviewed and discussed with management the audited financial statements for the year ended June 30, 2017 and the process designed to achieve compliance with Section 404 of the Sarbanes-Oxley Act of 2002. The Audit Committee has also discussed with our independent registered public accounting firm, BDO, the matters required to be discussed by Auditing Standard No. 16, "Communications with Audit Committees" issued by the Public Company Accounting Oversight Board ("PCAOB"). The Audit Committee has received the written disclosures and letter from BDO required by applicable requirements of the PCAOB regarding the communications of BDO with the Audit Committee concerning independence, and has discussed with BDO its independence, including whether the provision by BDO of non-audit services, as applicable, is compatible with its independence.

Based on these reviews and discussions, the Audit Committee recommended to the Board that the Company's audited financial statements for the year ended June 30, 2017 be included in Company's Annual Report on Form 10-K.

Audit Committee of the Board of Directors

John Mutch, Chairman
Wayne Barr Jr.
John J. Quicke

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES

BDO was our independent registered public accounting firm for the fiscal years ending June 30, 2017 and July 1, 2016. Representatives of BDO will be present at the Annual Meeting, will have opportunity to make a statement should they so desire and will be available to respond to appropriate questions.

The following table sets forth the fees billed for services rendered by our auditors, BDO, for each of our last two fiscal years:

	Fiscal Year 2017[1]	Fiscal Year 2016[1]
Audit Fees [2]	$ 1,278,000	$ 1,408,000
Audit-Related Fees [3]	—	—
Tax Fees [4]	52,000	9,000
All Other Fees [5]	—	—
Total Fees for Services Provided	$ 1,330,000	$ 1,417,000

(1) Includes fees to be billed to us by BDO and BDO's international affiliates for fiscal 2017 and 2016 integrated audit and quarterly reviews.

(2) Audit fees include fees associated with the annual audit, as well as reviews of our quarterly reports on Form 10-Q, SEC registration statements, accounting and reporting consultations and statutory audits required internationally for our subsidiaries.

(3) Fees for audit-related services that are not categorized as audit fees.

(4) Tax fees were for services related to tax compliance and tax planning services.

(5) Other fees include fees billed for other services rendered not included within Audit Fees, Audit Related Fees or Tax Fees.

BDO did not perform any professional services related to financial information systems design and implementation for us in fiscal year 2017 or fiscal year 2016.

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

Audit Committee Pre-Approval Policy

Section 10A(i)(1) of the Exchange Act and related SEC rules require that all auditing and permissible non-audit services to be performed by a company's principal accountants be approved in advance by the Audit Committee of the Board, subject to a "de minimis" exception set forth in the SEC rules (the "De Minimis Exception"). Pursuant to Section 10A(i)(3) of the Exchange Act and related SEC rules, the Audit Committee has established procedures by which the Chairperson of the Audit Committee may pre-approve such services provided the pre-approval is detailed as to the particular service or category of services to be rendered and the Chairperson reports the details of the services to the full Audit Committee at its next regularly scheduled meeting. All audit-related and non-audit services in fiscal years 2017 and 2016, if any, were pre-approved by the Audit Committee at regularly scheduled meetings of the Audit Committee, or through the process described in this paragraph, and none of such services was performed pursuant to the De Minimis Exception.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview and Summary

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

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

- The cornerstone of our executive compensation program is pay for performance. Accordingly, while we pay competitive base salaries and other benefits, our named executive officers' compensation opportunity is heavily weighted toward variable pay.
- The objectives of our executive compensation program are to reward superior performance, motivate our executives to achieve our goals and attract and retain a strong management team.
- The Compensation Committee oversees our compensation program. The Compensation Committee makes the majority of executive compensation decisions, but also makes recommendations on certain aspects of the program to the full Board. The Compensation Committee is composed solely of independent directors. In its work, the Compensation Committee is assisted by independent compensation consultants engaged by the Compensation Committee.
- In reviewing the elements of our executive compensation program — base salary, annual incentives, long-term incentives and post-termination compensation — our Compensation Committee reviews market data from similar companies.
- Our competitive positioning philosophy is to set compensation at approximately the 50th percentile of compensation at peer group companies with allowances for internal factors such as tenure, individual performance and the nature of the relative scope and complexity of the role.
- Our annual incentive program is based on specific Company financial performance goals for the fiscal year, and includes provisions to "claw back" any excess amounts paid in the event of a later correction or restatement of our financial statements.
- We believe the compensation program for the named executive officers supported our strategic priorities and aligned compensation earned with the Company's financial performance in fiscal year 2017. Moreover, we believe that our emphasis on long term stockholder value creation results in an executive compensation program structure that is beneficial to our Company and our stockholders.

Compensation Governance Best Practices

The Compensation Committee believes that a demonstrated commitment to best practices in compensation governance is itself an essential component of our approach to executive compensation. The following practices are some examples of this commitment:

- **Pay for performance:** A substantial portion of our executives' compensation opportunity is tied to achieving specified corporate objectives. In fiscal year 2017, 100% of the Annual Incentive Plan ("AIP") was performance based and at-risk, subject to achievement of certain financial objectives. Under our Long-Term Incentive Plan ("LTIP"), half the equity awards were in the form of performance shares subject to achievement of a targeted financial measure.

- **Mix of short-term and long-term compensation:** Short term compensation for our executive officers is comprised of base salaries and the AIP, which pays out only to the extent that the Company meets its financial targets. Our LTIP, representing long-term compensation, is comprised of performance shares and service based restricted stock. Performance shares are earned, if the performance criteria are met, at the end of a three-year plan cycle, while service-based restricted stock vests over a three-year period.

- **Independent compensation consultant:** The Compensation Committee directly retains the services of Pearl Meyer, an independent compensation consultant, to advise it in determining reasonable and market-based compensation policies.

- **Prohibition on hedging and pledging:** Our executive officers, together with all other employees, are prohibited from engaging in hedging, pledging or similar transactions with respect to our securities.

- **No perquisites:** Our executive officers are not provided with club memberships, personal use of corporate aircraft or any other perquisite or special benefits other than our occasional provision of relocation expense reimbursement.

- **No single trigger change of control acceleration:** Except for a market-based stock unit award of 50,000 shares made to Michael Pangia, our President and Chief Executive Officer, which is subject to accelerated vesting upon a change of control, as described below under "Potential Payments Upon Termination or Change of Control", change of control arrangements in employment agreements with our executive officers provide for acceleration of vesting for outstanding equity awards only in the event that we are both subject to a change in control and the executive officer's employment terminates thereafter for reasons specified in the employment agreements.

- **Clawback:** We have a clawback policy that entitles us to recover all or a portion of any performance-based compensation, including cash and equity components, if our financial statements are restated as a result of errors, omissions or fraud.

- **Strong compensation risk management:** The Compensation Committee reviews and analyzes the risk profile of our compensation programs and practices on an annual basis.

Compensation Philosophy and Objectives

The primary objectives of our total executive compensation program are to use compensation as a tool to recruit, retain, and develop outstanding executives and create long term value for our shareholders. The following principles guide our overall compensation program:

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

Each year, the Compensation Committee reviews the executive compensation program to ensure our executive compensation policies and programs remain appropriately aligned with our evolving business needs and to consider best compensation practices. Our executive compensation programs are reviewed to ensure that they achieve a balance between providing strong retention and performance incentives to our executives while accommodating a meaningful and continuing effort to manage both the Company's share burn rate and the dilutive effects of equity awards to the Company's stockholders.

Executive Compensation Process

The Compensation Committee is responsible for establishing and implementing executive compensation policies and programs in a manner consistent with our compensation objectives and principles. The Compensation Committee, which is comprised solely of independent directors, reviews and approves the features and design of our executive compensation program, and approves the compensation levels, individual AIP objectives and total compensation targets for our executive officers other than our CEO. The independent members of the Board approve the compensation level, individual AIP objectives, and financial targets for our CEO. The Compensation Committee also monitors executive succession planning and monitors our performance as it relates to overall compensation policies for employees, including benefit and savings plans.

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

Independent Compensation Consultant for Compensation Committee

The Compensation Committee has the authority under its charter to engage the services of outside advisors, experts and others for assistance. Accordingly, the Compensation Committee has hired Pearl Meyer as an independent consultant to advise the Compensation Committee on matters related to the compensation of the Company's executive officers. All services that Pearl Meyer provided Aviat in fiscal year 2017 were approved by the Compensation Committee and were related to executive or Board compensation. Pearl Meyer provides an annual review of the Company's compensation practices, reviews and makes recommendations regarding Aviat's compensation peer groups, and provides independent input to the Compensation Committee on programs and practices.

Compensation Committee Advisor Independence

The Compensation Committee has considered the independence of Pearl Meyer pursuant to the NASDAQ Listing Rules and related SEC rules finalized in 2012, and has found no conflict of interest in Pearl Meyer continuing to provide advice to the Compensation Committee. The Compensation Committee is also regularly advised by the Company's primary outside counsel, Olshan Frome Wolosky LLP ("Olshan"). Pursuant to the NASDAQ Listing Rules and related SEC rules, the Compensation Committee has found no conflict of interest in Olshan continuing to provide advice to the Compensation Committee. The Compensation Committee reassesses the independence of its advisors annually.

Consideration of Say on Pay Results

Each year at our annual meeting, we conduct an advisory vote of our stockholders on our executive compensation program. Although this vote is not binding on the Board or us, we believe that it is important for our stockholders to have an opportunity to express their views regarding our executive compensation philosophy, program and practices as disclosed in our proxy statement on an annual basis. The Board and our Compensation Committee value stockholders' opinions and, to the extent there is any significant vote against the compensation of our named executive officers, the Compensation Committee evaluates whether any actions are warranted or appropriate.

At our 2016 Annual Meeting, 98% of the votes cast on the advisory vote on executive compensation supported our named executive officers' compensation as disclosed in the proxy statement. Our Compensation Committee evaluated these results, considered investor feedback and took into account many other factors in evaluating our executive compensation programs as discussed in the Compensation Discussion and Analysis. Although none of our Compensation Committee's subsequent actions or decisions with respect to the compensation of our executive officers were directly attributable to the results of the vote, our Compensation Committee took the vote outcome into consideration in the course of its deliberations. Our Compensation Committee believes that stockholder feedback and concerns on executive compensation matters should be considered as part of its deliberations and intends to consider the results of future advisory votes in its compensation review process.

Competitive Benchmarking

Our compensation program for all of our officers is addressed in the context of competitive compensation practices. Our management and Compensation Committee consider external data to assist in benchmarking total target compensation. For fiscal year 2017, targets for total cash and cash based compensation (base salary and short-term incentive compensation), long-term incentives and total direct compensation (base salary and short-term and long-term incentive compensation) for Messrs. Pangia, Marimon and Stumpe were set based on data collected from our peer group companies and from a published survey source, the Radford Global Technology Survey for our other named executive officers. In considering data from the Radford Global Technology Survey, we focused on results for technology companies with annual revenues of less than $500 million. The peer

group companies selected and used for compensation comparisons are reflective of our market for executive talent and business line competitors. Also, the overall composition of the peer group reflects companies of similar complexity and size to us.

For fiscal year 2017, these peer group companies included:

ADTRAN Inc.	Bel Fuse, Inc.
CalAmp Corp.	Calix, Inc.
Cohu, Inc.	Comtech Telecommunications Corp.
DragonWave, Inc.	Extreme Networks, Inc.
Harmonic Inc.	Infinera Corporation
Ixia	KVH Industries
MRV Communications	NeoPhotonics Corporation
Novatel Wireless, Inc.	ShoreTel, Inc.
Sonus Networks, Inc.	

Each year, the Compensation Committee reviews the appropriateness of the comparison group used for assessing the compensation of our CEO and other named executive officers. We made significant modifications to the peer group since fiscal year 2016 so that our peer group roster better reflects our company size and business model, and also reflects merger and acquisition activity in our sector. We removed Aruba Networks and Emulex Corporation since they are no longer publicly traded, and added KVH Industries and Novatel Wireless to bolster our overall sample size and position peer median revenue and market capitalization more closely to that of our company.

Data for our peer group companies was collected directly from these companies' proxy statements.

Total Compensation Elements

Our executive compensation program includes four major elements:

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

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

Our compensation policy and practice is to target total compensation levels for all officers, including our named executive officers, nominally at the 50th percentile for similar positions as derived from the market composite data, assuming experience in the position and competent performance. The Compensation Committee may decide to target total compensation above or below the 50th percentile for similar positions in unique circumstances based on an individual's background, experience, and relative complexity and scope of the applicable role. Though compensation levels may differ among our named executive officers based upon competitive factors and the role, responsibilities and performance of each named executive officer, there are no material differences in our compensation policies or in the manner in which total direct compensation opportunity is determined for any of our named executive officers. Because our CEO has significantly greater duties, responsibilities and accountabilities than our other named executive officers, the total compensation opportunity for the CEO is higher than for our other named executive officers. In determining CEO and other named executive officer compensation, the Board also considers the ratio between our CEO's compensation and the average compensation of our other named executive officers as compared with similar ratios for peer group companies. For fiscal year 2017, that ratio was 2.58, compared to a median ratio of 2.41 in the peer group companies.

Base Salary

Base salaries are provided as compensation for day-to-day responsibilities and services to us. Executive salaries are reviewed annually. Our CEO generally makes recommendations to the Compensation Committee in August of each year regarding the base pay of each named executive officer, other than himself. The Compensation Committee considers each executive officer's responsibilities, as well as the Company's performance and recommended increases in base salary for select named executive officers and other officers. In fiscal year 2017, the CEO recommended and the Compensation Committee approved, that the base salaries for named executive officers be held flat at fiscal 2016 levels. Our CEO's base salary is unchanged since fiscal year 2011. Additional details concerning the compensation for our named executive officers for fiscal year 2017 are set forth in the Summary Compensation Table below.

Annual Incentive Plan

The short-term incentive element of our executive compensation program is currently comprised of our AIP. Our AIP is designed to motivate our executives to focus on achievement of our short-term financial goals. The CEO reviews his recommendations for each named executive officer with the Compensation Committee, taking into account market data obtained from Pearl Meyer, the Compensation Committee's independent consultant. Based on recommendations by the CEO, and as specified in any applicable employment agreement, the Compensation Committee recommends to the Board an annual incentive compensation target, expressed as a percentage of base salary, for each executive officer in August. Each named executive officer's target annual incentive percentage is benchmarked against the 50th percentile within the market composite for his or her specific role. The Compensation Committee also recommends to the Board specific Company financial performance measures and targets including the relative weighting and payout thresholds. The financial targets are aligned with our Board-approved annual operating plan, and during the year periodic reports are made to the Board about our performance compared with the targets. Under the AIP, a significant portion of the executive's annual compensation is tied directly to our financial performance. The target amount of annual incentive compensation under our AIP, expressed as a percentage of base salary, generally increases with an executive's level of management responsibility. AIP target incentive can represent up to 100% of the base salary compensation for our named executive officers and may be paid in the form of cash, stock or a combination of the two. For fiscal year 2017, AIP target incentives were set at 100% of base salary for Mr. Pangia, 70% of base salary for Mr. Stumpe and 65% of base salary for our other named executive officers. If performance results meet target levels, our executives can earn up to a maximum of 100% of their target incentive. No incentive can be earned for performance below the minimum threshold.

For fiscal year 2017, the AIP provided for an all cash payout. The performance metric was based on the achievement of an adjusted EBITDA target with a potential payout triggered at threshold adjusted EBITDA targets. The total available cash pool was restricted to specific percentages of adjusted EBITDA. Adjusted EBITDA was calculated by excluding charges for share-based compensation, restructuring, and other one-time/non-recurring income or expenses from GAAP-based EBITDA. The threshold amounts were established and approved in August 2016. The plan provided for no payout if the minimum adjusted EBITDA threshold was not met, and a total available cash pool equal to 20% of adjusted EBITDA for achievement, between the minimum threshold and a target threshold.

Table 1

Fiscal Year 2017 Annual Incentive Plan - Minimum, Target and Maximum Thresholds

Fiscal Year 2017 Annual Incentive Plan		Results-Driven Entitlement	
		Performance	Payout
Metric	Tiers	($)	(As % of Award Target)
Adjusted EBITDA	Minimum Threshold	$910,000	6%
	Target Threshold	$15,250,000	100%
	Maximum Threshold	$15,250,000	100%

In fiscal year 2017, the AIP did not guarantee payout of the specified threshold and target amounts, and the Compensation Committee considered the adjusted EBITDA thresholds to be challenging. During the 2017 fiscal year, we achieved the minimum threshold target for AIP awards; therefore, all named executive officers received a payout as shown in the summary compensation table below.

Long-Term Compensation — Equity Incentives

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

Our LTIP is designed to motivate our executives to focus on achievement of our long-term financial goals. Equity awards motivate our executives to achieve our long-term goals and to the extent our results affect our stock price, link such results with the performance of our stock over a three to four -year period. Using equity awards helps us to retain executives, encourage share ownership and maintain a direct link between our executive compensation program and the value and appreciation in the value of our stock.

Performance Shares. In past fiscal years, the Compensation Committee recommended performance share awards that are earned, if the specified performance criteria are met, at the end of a three year plan cycle. The maximum possible entitlement to performance shares will occur if 100% of the specified target is achieved. In addition, irrespective of Company performance versus target, there is no entitlement to performance shares unless the award recipient continues to be employed throughout the multi-year period. Performance shares are subject to repurchase by the Company at $0.01 per share if eligible employment ends during the performance measurement period and to the extent the maximum performance is not achieved during the performance measurement period.

Service-Based Restricted Stock. Service-based restricted stock awards are awards of stock at the start of a vesting period which is subject to repurchase for nominal consideration if the specified vesting conditions are not satisfied. In addition to their use as a component of the LTIP, awards of service-based restricted stock may be made on a selective basis to individual executives primarily to facilitate retention and succession planning or to replace the value of equity awards that may have been forfeited as a result of the executive's leaving a former employer. For compensation planning purposes, awards of service-based restricted stock are valued at the fair market value of the shares on the date of award, which is the closing price on the NASDAQ Global Select Market on that date, without reduction to reflect vesting or other conditions.

In fiscal year 2017, LTIP awards were composed of 50% performance based and 50% service-based restricted stock. The performance shares required both achievement of an adjusted EBITDA target specific to fiscal year 2017 performance and certain service requirements. The adjusted EBITDA target for fiscal year 2017 was set at $1.00. This measure was determined by taking into consideration that management's primary focus was to achieve profitability by increasing operating efficiency and also considering adjusted EBITDA for the past three fiscal years, which were negative: In fiscal Year 2014 adjusted EBITDA was -$26.2million, in fiscal year 2015 adjusted EBITDA was -$11.0 million and in fiscal year 2016 adjusted EBITDA was -$11.7 million. During the 2017 fiscal year, we achieved the adjusted EBITDA target, therefore, the performance-based stock was earned. Awards that are earned do not vest until the end of the three-year period which is after fiscal year 2020. Vesting of service-based restricted stock required continued employment through the third anniversary of date of grant.

Recovery of Executive Compensation

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

Hedging and Pledging Prohibition

Our executive officers, as well as all other employees, are prohibited from engaging in hedging, pledging or similar transactions with respect to our securities where the transaction is designed or intended to decrease the risks associated with holding our securities. This prohibition includes transactions involving puts, call, collars or other derivative securities.

Perquisites

Our executive officers participate in the same group insurance and employee benefit plans as our other full-time U.S. employees. We do not provide special benefits or other perquisites to our executive officers.

Stock Ownership Guidelines

While we do not have a minimum stock ownership requirement for members of the Board and our named executive officers, the corporate governance guidelines adopted by the Board encourage the ownership of our common stock. The Compensation Committee is satisfied that the stock and other equity holdings among our executive officers are sufficient at this time to provide appropriate motivation to align this group's long-term interests with those of our stockholders.

Tax and Accounting Considerations

Tax Considerations. The Compensation Committee generally considers the federal income tax and financial accounting consequences of the various components of the executive compensation program in making decisions about executive compensation. The Compensation Committee believes that achieving the compensation objectives discussed above is more important than the benefit of tax deductibility and the executive compensation programs may, from time to time, limit the tax deductibility of compensation. Nevertheless, when not inconsistent with these objectives, the Compensation Committee endeavors to award compensation that will be deductible for income tax purposes. Internal Revenue Code Section 162(m) may limit the tax deductions that a public company can claim for compensation to some of its named executive officers. The Company does not guarantee that any compensation intended to qualify as deductible performance-based compensation under Section 162(m) so qualifies.

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

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

In fiscal year 2017, our named executive officers were eligible to participate in the health and welfare programs that are generally available to all full-time U.S.-based employees, including medical, dental, vision, life, short-term and long-term disability insurance, employee counseling assistance, flexible spending accounts and accidental death and dismemberment insurance.

In addition, the named executive officers and all other eligible U.S.-based employees can participate in our tax-qualified 401(k) Plan. Under the 401(k) Plan, all eligible employees can receive matching contributions from the Company of 2.5% of compensation contributed. Each employee under the age of 50 can contribute a maximum of $17,500 during each calendar year, and each employee over the age of 50 can contribute a maximum of $23,000. We do not provide defined benefit pension plans or defined contribution retirement plans to the named executive officers or other employees other than the 401(k) Plan, or as required in certain countries other than the United States, for legal or competitive reasons.

We adopted an employee stock purchase plan effective November 19, 2009 and commencing on July 3, 2010, under which named executive officers and all other eligible U.S.-based employees can elect, on a quarterly basis, to apply a portion of their cash compensation to purchase shares of our common stock at a 5% discount. An employee's total purchases in any year cannot exceed $25,000 in value or 15% of his or her salary, whichever is less. Furthermore, an employee may not purchase more than 48 shares of common stock annually under the employee stock purchase plan.

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

Post-Termination Compensation

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

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis included in this Proxy Statement. Based on this review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and the Compensation Discussion and Analysis was also included in an amendment to our Annual Report on Form 10-K for the fiscal year ended June 30, 2017, which amendment was filed on October 6, 2017.

Compensation Committee of the Board of Directors

Dr. James C. Stoffel, Chairman
Kenneth Kong
John J. Quicke

Risk Considerations in Our Compensation Program

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

- Our compensation program is designed to provide a mix of both fixed and “at risk” incentive compensation.
- The incentive elements of our compensation program (annual incentives and multi-year equity LTIP awards) are designed to reward both annual performance (under the AIP) and longer-term performance (under the LTIP). We believe this design mitigates any incentive for short-term risk-taking that could be detrimental to our company’s long-term best interests.
- Maximum payouts under our AIP are currently capped at 100% of the target payout amounts set by the Compensation Committee. We believe these limits mitigate excessive risk-taking, since the maximum amount that can be earned is limited.
- Finally, our AIP and our LTIP both contain provisions under which awards may be recouped or forfeited if the recipient has not complied with our policies. In addition, our performance-based plans (cash incentive and performance shares) both contain provisions under which awards may be recouped or forfeited if the financial results for a period affecting the calculation of an award are later restated.

Summary Compensation Table

The following table summarizes the total compensation for each of our fiscal years ended June 30, 2017, July 1, 2016 and July 3, 2015 of our named executive officers, who consisted of our CEO, CFO and three other most highly compensated executive officers.

Name/Principal Position	Fiscal Year (1)	Salary (3) ($)	Stock Awards (4) ($)	Option Awards (5) ($)	Non-Equity Incentive Plan Compensation (6) ($)	All Other Compensation (7) ($)	Total ($)
Michael Pangia Chief Executive Officer	2017	550,000	741,032	—	324,522	4,005	1,619,559
	2016	550,000	333,086	—	—	3,073	886,159
	2015	571,154	—	149,286	—	2,224	722,664
Ralph Marimon Senior Vice President and Chief Financial Officer (2)	2017	294,231	141,638	—	115,058	2,616	553,543
	2016	300,000	118,094	—	—	2,064	420,158
	2015	33,462	114,000	—	—	238	147,700
Heinz H. Stumpe Senior Vice President and Chief Sales Officer	2017	345,000	175,402	—	142,495	3,707	666,604
	2016	345,000	146,255	—	—	3,707	494,962
	2015	358,269	—	65,550	—	3,204	427,023
Shaun McFall Senior Vice President, Chief Marketing and Strategy Officer	2017	320,000	151,057	—	122,728	10,666	604,451
	2016	320,000	125,968	—	—	9,270	455,238
	2015	332,308	—	56,457	—	1,792	390,557
Meena Elliott Senior Vice President, Chief Legal and Administrative Officer, Corporate Secretary	2017	320,000	151,057	—	122,728	7,785	601,570
	2016	320,000	125,968	—	—	6,421	452,389
	2015	319,616	—	48,857	—	1,227	369,700

(1) Our fiscal year 2017 ended June 30, 2017, fiscal year 2016 ended July 1, 2016 and fiscal year 2015 ended July 3, 2015. The amounts in the Summary Compensation Table represent total compensation paid or earned for our fiscal years as included in our annual financial statements.

(2) Effective May 26, 2015, Mr. Marimon was appointed as our Senior Vice President and Chief Financial Officer.

(3) The annual base salary for Mr. Pangia is $550,000. The amounts shown take into account the extra pay period in our fiscal year 2015.

The annual base salary for Mr. Marimon is $300,000. The amounts for fiscal year 2017 represents one week of unpaid leave. The amounts for fiscal year 2015 reflects Mr. Marimon’s salary and other income for the period from May 26, 2015 to July 3, 2015.

The annual base salary for Mr. Stumpe is $345,000. The amounts shown take into account the extra pay period in our fiscal year 2015.

The annual base salary for Mr. McFall is $320,000. The amounts shown take into account the extra pay period in our fiscal year 2015.

The annual base salary for Ms. Elliott is $320,000 effective February 9, 2015. The amounts shown take into account the additional pay period for fiscal year 2015.

(4) The “Stock Awards” column shows the full grant date fair value of the market-based shares, performance shares, and restricted stock granted in fiscal 2017 and fiscal 2016.

For fiscal 2015, the grant date fair value of the performance shares was reduced to zero or no value since subsequent to the grant date we estimated that the minimum threshold performance would not be achieved. If we had estimated that the fiscal 2015 performance shares would be earned by exceeding the target metrics, the following amounts

would have been included in the amount under this column and as part of the named executive officers' total compensation:

Mr. Pangia	$	278,572
Mr. Stumpe	$	87,595
Mr. McFall	$	66,858
Ms. Elliott	$	49,524

The grant date fair value of the market-based shares, performance shares and restricted stock was determined under FASB ASC Topic 718 and represents the amount we would expense in our financial statements over the entire vesting schedule for the awards. The grant date fair value of market-based shares was estimated using a Monte-Carlo simulation model. The grant date fair value for performance awards and restricted stock was based on the closing market price of our common stock on the respective award dates, except for the performance shares granted during fiscal year 2015 as discussed above. The assumptions used for determining values are set forth in Notes 1 and 8 to our audited consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for fiscal year 2017. These amounts reflect our accounting for these grants and do not correspond to the actual values that may be recognized by the named executive officers.

(5) The "Option Awards" column shows the full grant date fair value of the stock options granted in fiscal year 2015. No options were granted in fiscal 2017 or fiscal year 2016. The grant date fair value of the stock option awards was determined under FASB ASC Topic 718 and represents the amount we would expense in our financial statements over the entire vesting schedule for the awards. The assumptions used for determining values are set forth in Notes 1 and 8 to our audited consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for fiscal year 2017. These amounts reflect our accounting for these grants and do not correspond to the actual values that may be recognized by the named executive officers.

(6) The "Non-Equity Incentive Plan Compensation" column shows the cash bonus earned under the fiscal year 2017 annual incentive plan. The following amounts were paid on February 9, 2017 with the remainder amounts paid on October 6, 2017:

Mr. Stumpe	$	36,225
Mr. McFall	$	31,200
Ms. Elliott	$	31,200

(7) The following table describes the components of the “All Other Compensation” column.

Name	Year	Life Insurance (a) ($)	Company Matching Contributions Under 401(k) Plan (b) ($)	Total All Other Compensation ($)
Michael Pangia	2017	4,005	—	4,005
	2016	3,073	—	3,073
	2015	2,224	—	2,224
Ralph Marimon	2017	2,616	—	2,616
	2016	2,064	—	2,064
	2015	238	—	238
Heinz H. Stumpe	2017	3,707	—	3,707
	2016	3,707	—	3,707
	2015	3,204	—	3,204
Shaun McFall	2017	2,224	8,442	10,666
	2016	2,224	7,046	9,270
	2015	1,792	—	1,792
Meena Elliott	2017	1,190	6,595	7,785
	2016	1,190	5,231	6,421
	2015	1,227	—	1,227

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

(b) Represents matching contributions made by us to the 401(k) account of the respective named executive.

Grants of Plan-Based Awards in Fiscal Year 2017

The following table lists our grants and incentives during our fiscal year ended June 30, 2017 of plan-based awards, both equity and non-equity based and including our Annual Incentive Plan and Long-Term Incentive Plan, to the named executive officers listed in the Summary Compensation Table. There is no assurance that the grant date fair value of stock and option awards will ever be realized.

Name	Type of Award	Grant Date	Estimated Possible Payouts Under Short-Term Non-Equity Incentive Plan Awards in Fiscal Year 2017 (1)			Estimated Future Payments Under Equity Incentive Plan Awards in Fiscal Year 2017			All Other Stock Awards: Number of Shares of Stock or Units (4)	Fair Value of Stock and Option Awards (5)
			Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	($)
Michael Pangia	Cash Bonus	8/23/2016	33,000	550,000	550,000	—	—	—	—	—
	RSU	9/22/2016	—	—	—	—	—	—	20,833	191,247
	PSU	9/22/2016				22,689	22,689	22,689 (2)		208,285
	PSU	12/30/2016	—	—	—	50,000	50,000	50,000 (3)	—	341,500
Ralph Marimon	Cash Bonus	8/23/2016	11,700	195,000	195,000	—	—	—	—	—
	RSU	9/22/2016	—	—	—	—	—	—	7,386	67,803
	PSU	9/22/2016	—	—	—	8,043	8,043	8,043 (2)	—	73,835
Heinz H. Stumpe	Cash Bonus	8/23/2016	14,490	241,500	241,500	—	—	—	—	—
	RSU	9/22/2016	—	—	—	—	—	—	9,147	83,969
	PSU	9/22/2016	—	—	—	9,960	9,960	9,960 (2)	—	91,433
Shaun McFall	Cash Bonus	8/23/2016	12,480	208,000	208,000	—	—	—	—	—
	RSU	9/22/2016	—	—	—	—	—	—	7,878	72,320
	PSU	9/22/2016	—	—	—	8,577	8,577	8,577 (2)	—	78,737
Meena Elliott	Cash Bonus	8/23/2016	12,480	208,000	208,000	—	—	—	—	—
	RSU	9/22/2016	—	—	—	—	—	—	7,878	72,320
	PSU	9/22/2016	—	—	—	8,577	8,577	8,577 (2)	—	78,737

(1) The amounts shown under Estimated Possible Payouts Under Short-Term Non-Equity Incentive Plan Awards reflect possible payouts under our fiscal 2017 AIP. During fiscal 2017, we achieved 59% of the FY17 cash incentive target.

(2) Performance-based share units ("PSU") eligible to vest were based on the Company's adjusted EBITDA for fiscal year 2017. Once the shares are earned, they will vest 100% on the third anniversary of the grant date. Vesting of these shares is dependent on continuous employment with us through the vesting date.

(3) Market-based share units eligible to vest were based on the target closing prices of the Company's common stock for calendar year 2018. The shares will vest on the date that the Compensation Committee certifies achievement of the performance measure. Vesting of these shares is dependent on continuous employment with us through the vesting date.

(4) Restricted stock units ("RSU") vest 100% on the third anniversary of the grant date.

(5) The "Grant Date Fair Value of Stock and Option Awards" column shows the full grant date fair value of the stock options granted in fiscal year 2017. The grant date fair value of the stock options was determined under FASB ASC Topic 718 and represents the amount we would expense in our financial statements over the entire vesting schedule for the awards in the event the vesting provisions are achieved.

The assumptions used for determining values are set forth in Notes 1 and 8 to our audited consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal 2017. These amounts reflect our accounting for these grants and do not correspond to the actual values that may be recognized by the named executive officers.

Outstanding Equity Awards at Fiscal Year-End 2017

The following table provides information regarding outstanding unexercised stock options and unvested stock awards held by each of our named executive officers as of June 30, 2017. Each grant of options or unvested stock awards is shown separately for each named executive officer. The vesting schedule for each award of options is shown in the footnotes following this table based on the option grant date. The material terms of the option awards, other than exercise price and vesting are generally described in the 2007 Plan.

Name	Award Grant Date	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that have not Vested (#)	Market Value of Shares or Units of Stock that have not Vested (9) ($)	Equity Incentive Plan Awards: Number of Unearned Shares Units or Other Rights that have not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that have not Vested (9) ($)
	Option Awards					**Stock Awards**			
Michael Pangia	12/30/2016	—	—	—	—			50,000 (6)	870,000
	09/22/2016							22,689 (7)	394,789
	09/22/2016					20,833 (4)	362,494		
	11/20/2015	—	—	—	—			15,126 (8)	263,192
	10/23/2015	—	—	—	—	20,833 (4)	362,494		
	02/02/2015	15,460	6,365 (1)	15.60	2/2/2022	—	—	—	—
	09/09/2013	34,722	— (2)	31.20	9/9/2020	—	—	—	—
	10/03/2012	11,458	— (3)	27.36	10/3/2019	—	—	—	—
	09/08/2011	25,107	— (3)	28.44	9/8/2018	—	—	—	—
	11/11/2010	4,166	— (3)	52.32	11/11/2017	—	—	—	—
Ralph Marimon	09/22/2016	—	—	—	—			8,043 (7)	139,948
	09/22/2016					7,386 (4)	128,516		
	11/20/2015	—	—	—	—			5,362 (8)	93,299
	10/23/2015	—	—	—	—	7,386 (4)	128,516		
	05/26/2015	—	—	—	—	4,166 (5)	72,488	—	—
Heinz H. Stumpe	09/22/2016	—	—	—	—			9,960 (7)	173,304
	09/22/2016					9,147 (4)	159,158		
	11/20/2015	—	—	—	—			6,640 (8)	115,536
	10/23/2015	—	—	—	—	9,147 (4)	159,158		
	02/02/2015	6,788	2,795 (1)	15.60	2/2/2022	—	—	—	—
	09/09/2013	15,246	— (2)	31.20	9/9/20	—	—	—	—
	10/03/2012	5,031	— (3)	27.36	10/3/2019	—	—	—	—
	09/08/2011	6,676	— (3)	28.44	9/8/2018	—	—	—	—
	11/11/2010	4,583	— (3)	52.32	11/11/2017	—	—	—	—
Shaun McFall	09/22/2016	—	—	—	—			8,577 (7)	149,240
	09/22/2016					7,878 (4)	137,077		
	11/20/2015	—	—	—	—			5,718 (8)	99,493
	10/23/2015	—	—	—	—	7,878 (4)	137,077		
	02/02/2015	5,847	2,407 (1)	15.60	2/2/2022	—	—	—	—
	09/09/2013	13,131	— (2)	31.20	9/9/2020	—	—	—	—
	10/03/2012	4,333	— (3)	27.36	10/3/2019	—	—	—	—
	09/08/2011	6,162	— (3)	28.44	9/8/2018	—	—	—	—
	11/11/2010	4,583	— (3)	52.32	11/11/2017	—	—	—	—
Meena Elliott	09/22/2016	—	—	—	—			8,577 (7)	149,240
	09/22/2016					7,878 (4)	137,077		
	11/20/2015	—	—	—	—			5,718 (8)	99,493
	10/23/2015	—	—	—	—	7,878 (4)	137,077		
	02/02/2015	5,059	2,083 (1)	15.60	2/2/2022	—	—	—	—
	09/09/2013	11,363	— (2)	31.20	9/9/2020	—	—	—	—
	10/03/2012	3,750	— (3)	27.36	10/3/2019	—	—	—	—
	09/08/2011	6,162	— (3)	28.44	9/8/2018	—	—	—	—
	11/11/2010	3,333	— (3)	52.32	11/11/2017	—	—	—	—

(1) Stock options vest in installments of 25% on August 1, 2015, and 1/48 each month thereafter over the remaining three-year period based on continuous employment through those dates.

(2) Stock options vest in installments of 33 1/3% one year from the grant date, 33 1/3% two years from the grant date and 33 1/3% three years from the grant date based on continuous employment through those dates.

(3) Stock options 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 based on continuous employment through those dates.

(4) Restricted stock units vest 100% on the third anniversary of the grant date.

(5) Restricted stock units vest in installments of 25% one year from the grant date, and 25% annually on each anniversary thereafter over the remaining three-year period based on continuous employment through those dates.

(6) Market-based share units eligible to vest were based on the target closing prices of the Company's common stock for calendar year 2018, subject to acceleration under a change in control prior to January 1, 2019. The shares will vest on the date that the Compensation Committee certifies achievement of the performance measure. Vesting of these shares is dependent on continuous employment with us through the vesting date.

(7) Performance-based share units eligible to vest were based on the Company's adjusted EBITDA for fiscal year 2017. Once the shares are earned, they will vest 100% on the third anniversary of the grant date. Vesting of these shares is dependent on continuous employment with us through the vesting date.

(8) Market-based share units eligible to vest were based on multiple target closing prices of the Company's common stock for fiscal year 2016, fiscal year 2017, and fiscal year 2018, respectively. Once the shares are earned for fiscal year 2016 and 2017, they will be vested on the last day of fiscal 2018. For the shares earned for the fiscal year ending 2018, they will be vested on the date that the Compensation Committee certifies achievement of the performance metrics. Vesting of these shares is dependent on continuous employment with us through the vesting dates.

(9) Market value is based on the $17.40 closing price of a share of our common stock on June 30, 2017, as reported on the NASDAQ Global Select Market.

Option Exercised and Stock Vested in Fiscal Year 2017

The following table provides information for each of our named executive officers regarding the number of shares of our common stock acquired upon the vesting of stock awards during fiscal year 2017. No options to purchase common stock were exercised during fiscal year 2017. Stock awards vesting during fiscal year 2017 consisted of restricted stock with service-based vesting provisions.

	Stock Awards	
Name	Number of Shares Acquired on Vesting (#) (1)	Value Received on Vesting ($) (2)
Ralph Marimon	2,083	37,536

(1) Vested number of shares of service-based restricted stock units.

(2) Amount shown is the aggregate market value of the vested shares of restricted stock units based on the closing price of our stock on the vesting date.

Equity Compensation Plan Summary

The following table provides information as of June 30, 2017, relating to our equity compensation plan:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options	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[1]	967,985 [2]	$ 28.39 [3]	270,947
Equity Compensation plans not approved by security holders	—	$ —	—
Total	967,985	$ 28.39	270,947

(1) Consists solely of the 2007 Plan.

(2) The number includes 372,705 shares to be issued upon exercise of options, 379,015 shares to be issued upon vesting of restricted stock units, 72,941 shares to be issued upon vesting of performance stock units, and 143,324 shares to be issued upon vesting of market-based stock units.

(3) Excludes weighted average fair value of restricted stock units, performance stock units, and market-based stock units at issuance date.

Potential Payments Upon Termination or Change of Control

We have employment agreements with each of the continuing named executive officers, which provide for such executives to receive certain payments and benefits if their employment with us is terminated. These arrangements are set forth in detail below and assume a termination event on June 30, 2017 and refer to our stock price on that date. The Board has determined that such payments and benefits are an integral part of a competitive compensation package for our executive officers.

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

Name	Conditions for Payouts	Base Salary Component (1)	Cash Incentive Component (2)	Accelerated Equity Vesting (3)	Insurance Benefit (4)	Out-Placement Services (5)	Total
Michael Pangia	Termination without cause or for good reason, or due to disability	$ 550,000	$ 324,522	$ 719,565	$ 21,140	$ 30,000	$ 1,645,227
	Within 18 months after Change of Control	$ 1,100,000	$ 550,000	$ 2,292,254	$ 42,280	$ 30,000	$ 4,014,534
Ralph Marimon	Termination without cause or for good reason, or due to disability	$ 300,000	$ 115,058	$ 245,218	$ 14,588	$ 30,000	$ 704,864
	Within 18 months after Change of Control	$ 300,000	$ 195,000	$ 562,768	$ 14,588	$ 30,000	$ 1,102,356
Heinz H. Stumpe	Termination without cause or for good reason, or due to disability	$ 345,000	$ 106,270	$ 315,901	$ 22,025	$ 30,000	$ 819,196
	Within 18 months after Change of Control	$ 690,000	$ 205,275	$ 624,405	$ 44,050	$ 30,000	$ 1,593,730
Shaun McFall	Termination without cause or for good reason, or due to disability	$ 320,000	$ 91,528	$ 272,064	$ 26,093	$ 30,000	$ 739,685
	Within 18 months after Change of Control	$ 640,000	$ 176,800	$ 537,745	$ 52,186	$ 30,000	$ 1,436,731
Meena Elliott	Termination without cause or for good reason, or due to disability	$ 320,000	$ 91,528	$ 270,646	$ 18,775	$ 30,000	$ 730,949
	Within 18 months after Change of Control	$ 640,000	$ 176,800	$ 535,743	$ 37,550	$ 30,000	$ 1,420,093

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

(2) The cash incentive component represents the cash bonus due under the fiscal year 2017 AIP.

(3) Reflects acceleration of outstanding equity awards, including pro-rata vesting under the fiscal year 2017 Long-Term Incentive Plan as of June 30, 2017, with final determination to be made by the Compensation Committee.

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

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

The employment agreements with our named executive officers define a "Change of Control" as follows:

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

- any person or group of persons (within the meaning of Section 13(d)(3) of the Exchange Act) directly or indirectly acquires beneficial ownership (determined pursuant to SEC Rule 13d-3 promulgated under the

Exchange Act) of securities possessing more than 30% (50% in the case of Mr. Marimon) of the total combined voting power of our outstanding securities other than: (i) an employee benefit plan of ours or any of our affiliates; (ii) a trustee or other fiduciary holding securities under an employee benefit plan of our or any of our affiliates; or (iii) an underwriter temporarily holding securities pursuant to an offering of such securities; or

- over a period of 36 consecutive months or less, there is a change in the composition of the Board such that a majority of the Board members (rounded up to the next whole number, if a fraction) ceases, by reason of one or more proxy contests for the election of Board members, to be composed of individuals each of whom meet one of the following criteria: (i) have been a Board member continuously since the adoption of this plan or the beginning of such 36-month period; or (ii) have been elected or nominated during such 36-month period by at least a majority of the Board members and satisfied the criteria of this bullet when they were elected or nominated; or
- a majority of the Board determines that a Change of Control has occurred; or
- the complete liquidation or dissolution of the Company.

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

- severance payments at their final base salary for a period of 12 months following termination;
- payment of premiums necessary to continue their group health insurance under COBRA (or to purchase other comparable health coverage on an individual basis if the employee is no longer eligible for COBRA coverage) until the earlier of (i) 12 months; or (ii) the date on which they first became eligible to participate in another employer's group health insurance plan;
- the prorated portion of any incentive bonus they would have earned during the incentive bonus period in which their employment was terminated;
- any equity compensation subject to service-based vesting granted to the executive officer will stop vesting as of their termination date; however, they will be entitled to purchase any vested share(s) of stock that are subject to the outstanding options until the earlier of: (i) 12 months; or (ii) the date on which the applicable option(s) expire; and
- outplacement assistance selected and paid for by us.

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

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who own more than 10% of a registered class of the Company's equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Directors, executive officers and greater than 10% holders are required by SEC regulation to furnish us with copies of all Section 16(a) reports they file. Based solely on our review of Forms 3 and 4 received during fiscal year 2017, and Forms 5 (or any written representations) received with respect to fiscal year 2017, we believe that all directors, officers, executive officers and 10% stockholders complied with all applicable Section 16(a) filing requirements during fiscal year 2017.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

At the Annual Meeting, directors are being nominated for election to serve until the 2018 Annual Meeting or until their successors are elected and qualified.

In the unanticipated event that a nominee is unable or declines to serve as a director at the time of the Annual Meeting, all proxies received by the proxy holders will be voted for any subsequent nominee named by the Board to fill the vacancy created by the earlier nominee's withdrawal from the election. As of the date of this Proxy Statement, the Board is not aware of any director nominee who is unable or will decline to serve as a director. Each of the nominees has consented to being named in this Proxy Statement and to serve as a director if elected. Ages are as of the date of this Proxy Statement.

Director Nominees

Name	Title	Age
John Mutch	Chairman of the Board	61
Wayne Barr, Jr.	Director Nominee	53
Kenneth Kong	Director Nominee	43
Michael A. Pangia	Director, President and CEO	56
John J. Quicke	Director	68
Dr. James C. Stoffel	Director	71

Agreement with Certain Stockholders

On September 13, 2016, the Company entered into an agreement (the "Settlement Agreement") with JDS1, LLC, Julian Singer and David S. Oros (collectively, the "JDS Group"). Pursuant to the Settlement Agreement, the Company agreed to include Mr. Barr in its slate of director nominees for election at the Annual Meeting.

Pursuant to the Settlement Agreement, the members of JDS Group have agreed to vote for each of the proposals set forth in this proxy statement. If the Company re-nominates Mr. Barr to stand for election as a director at the Annual Meeting, then the members of the JDS Group have agreed to vote for the Company's slate of director nominees at the Annual Meeting.

The members of the JDS Group have agreed, until 15 business days prior to the advance notice deadline for the submission of director nominations and stockholder proposals in respect of the 2017 Annual Meeting, to customary standstill provisions during that time that provide, among other things, that the members of the JDS Group will not (1) engage in or in any way participate in a solicitation of proxies or consents with respect to the Company; or (2) initiate any shareholder proposals. If the Company re-nominates Mr. Barr to stand for election as a director at the Annual Meeting, then the standstill restrictions continue until 15 business days prior to the advance notice deadline for the submission of director nominations and stockholder proposals in respect of the 2018 Annual Meeting.

RECOMMENDATION OF THE BOARD OF DIRECTORS

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

PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed BDO as our independent registered public accounting firm to audit our consolidated financial statements for the fiscal year ending June 29, 2018 and our Board has ratified such appointment. See "Independent Registered Public Accounting Firm Fees."

Notwithstanding its selection, the Audit Committee, in its discretion, may appoint another independent registered public accounting firm at any time during the year if the Audit Committee believes that such a change would be in the best interests of the Company and its stockholders. If the appointment is not ratified by our stockholders, the Audit Committee may reconsider whether it should appoint another independent registered public accounting firm.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE AUDIT COMMITTEE'S APPOINTMENT OF BDO AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2018.

PROPOSAL NO. 3

ADVISORY, NON-BINDING VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION

A “say-on-pay” advisory vote is required for all U.S. public companies under Section 14A of the Exchange Act. We are asking stockholders to approve, on an advisory, non-binding basis, the compensation of the Company’s named executive officers disclosed in the Compensation Discussion and Analysis section, and the related compensation tables, notes and narrative, in this Proxy Statement.

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

We urge stockholders to read the Compensation Discussion and Analysis section of this Proxy Statement, as well as the Summary Compensation Table and related compensation tables, notes and narrative, which provide detailed information on the Company’s compensation policies and practices and the compensation of our named executive officers.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” APPROVAL OF THE ADVISORY, NON-BINDING VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION.

PROPOSAL NO. 4

ADVISORY, NON-BINDING VOTE ON THE FREQUENCY OF HOLDING VOTES ON SAY-ON-PAY

We are asking our stockholders to provide an advisory (non-binding) vote on how frequently stockholders should have an opportunity to vote on Say-on-Pay. Under the Dodd-Frank Act, stockholders may vote to have the advisory vote on Say-on-Pay once every one, two or three years. We are required to hold an advisory vote on frequency of Say-on-Pay votes every six years. Our stockholders were provided with the opportunity to vote on the frequency of Say-on-Pay votes in 2011. The stockholders voted in favor of holding Say-on-Pay votes annually and the Board adopted this standard.

Although we believe we have an appropriately balanced executive compensation program, we recognize that the widely-adopted standard is to hold Say-on-Pay votes annually. We also acknowledge current stockholder expectations and preferences regarding having the ability to express their views on the compensation of the Company's named executive officers on an annual basis. In light of investor expectations and prevailing market practice, we are asking stockholders to support the continuation of a frequency period of "ONCE A YEAR" (an annual vote) for future votes on Say-on-Pay.

Votes on the frequency for Say-on-Pay are advisory. Although your vote on this Say-on-Pay resolution does not bind the Corporation, the Board of Directors will review the results of the vote and investor feedback and will continue to review the advantages and disadvantages for each of the frequencies on Say-on-Pay votes regardless of the outcome of the vote.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" A FREQUENCY OF "ONCE A YEAR" FOR FUTURE NON-BINDING STOCKHOLDER VOTES ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.

PROPOSAL NO. 5

APPROVAL OF THE COMPANY'S 2018 INCENTIVE PLAN

Introduction

In February 2018, the Board approved the 2018 Plan, subject to stockholder approval at the Annual Meeting. The 2018 Plan was adopted to advance the interests of the Company by providing eligible individuals of the Company and its affiliates with an opportunity to acquire or increase a proprietary interest in the Company, and to receive performance-based cash and equity incentive compensation, in order to create a stronger incentive to expend maximum effort for the growth and success of the Company and its subsidiaries, and to encourage such eligible individuals to remain in the employ of the Company or one or more of its affiliates.

If approved by our stockholders, the 2018 Plan will replace the 2007 Plan, which will be discontinued at that time (but the outstanding awards under the 2007 Plan will continue to remain in effect in accordance with their terms). As of February 2, 2018, a total of 355,000 shares of common stock remained available for issuance under the 2007 Plan. If the 2018 Plan is approved by our stockholders, no additional awards will be granted under the 2007 Plan, and the remaining shares available under the 2007 Plan will no longer be available for issuance; provided that, as shares are returned under the 2007 Plan upon cancellation, termination or otherwise of awards outstanding under the 2007 Plan, such shares will be available for grant under the 2018 Plan.

Equity Usage, Dilution

The Company recognizes the dilutive impact of our equity plans on our stockholders and continuously strives to balance this concern with the competition for talent. In its determination to approve the 2018 Plan, our Compensation Committee reviewed analyses prepared by its independent compensation advisory consultant. The material features of the 2018 Plan are summarized below. This summary does not purport to be complete and is qualified in its entirety by reference to the complete text of the 2018 Plan which is attached as Appendix A to this Proxy Statement. If our stockholders do not approve the 2018 Plan, it will not become effective, and the 2007 Plan (as amended and restated) will remain in effect in accordance with its terms. The Board believes that the 2018 Plan will promote the success and enhance the value of the Company by linking the personal interests of participants to those of the Company's stockholders and by providing participants with an incentive for outstanding performance. The Board believes it is in the best interest of the Company and its stockholders to approve the 2018 Plan.

Detail on Equity granted over the last three fiscal years adjusting for 12:1 stock split:

Data Element	**Fiscal Year Ended**		
	2015	**2016**	**2017**
Stock Options Granted	114,875	—	—
Restricted Stock Granted	89,096	197,549	237,874
Performance Share Award Granted	66,934	—	72,941
Performance Earned / Vested	3,985	—	—
Market-Based Stock Units Granted	—	158,766	50,000
Market-Based Stock Units Earned / Vested	—	—	—
Weighted Average Common Shares Outstanding	5,184,000	5,238,000	5,292,000

Key Features and Corporate Governance

The 2018 Plan includes important features:

- Full value awards count against the maximum number of shares which may be issued under the 2018 Plan as 1.76 shares for every one shares granted or issued in payment of the award.

- Shares retained by us for payment of an option or stock appreciation right ("SAR") exercise price or withheld by us to satisfy tax withholding obligations or repurchased by us with proceeds collected in connection with the exercise of options will not be available again for grant under the 2018 Plan.

- Stock options and SARs may not be repriced (repricing, exchange, substitution and cash buyouts) without prior approval by our stockholders.

- Stock options and SARs may not be granted with an exercise price below fair market value.

Summary of the 2018 Plan

Purpose. The 2018 Plan is intended to retain and reward highly qualified employees, consultants, and directors and encourage their ownership of common stock of the Company.

Administration. The 2018 Plan may be administered by the Compensation Committee of the Board, by another designated Compensation Committee, or by the Board directly. The designated administrator, or the Compensation Committee, shall have the discretion, subject to the provisions of the 2018 Plan, to determine the employee, consultant or director to receive an award, the form of award and any acceleration or extension of an award. Further, the Compensation Committee shall have complete authority to interpret the 2018 Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective award agreements (which need not be identical), and to make all other determinations necessary or advisable for the administration of the 2018 Plan.

Eligibility. Awards may be granted to any employee, nonemployee director, consultant or advisor of the Company, its affiliates and/or subsidiaries. Currently, approximately 40 employees would be eligible under the 2018 Plan.

Shares Subject to the 2018 Plan. The number of shares of common stock authorized for grant under the 2018 Plan (subject to approval of this Proposal No. 5) is 500,000; provided that as shares are returned under the 2007 Plan upon cancellation, termination or otherwise of awards outstanding under the 2007 Plan, such shares will be available for grant under the 2018 Plan. The shares to be issued under the 2018 Plan are authorized but unissued shares of common stock. No more than 150,000 of the shares of common stock available under the 2018 Plan may be covered by awards issued to any one person in any one calendar year.

Share Counting. Subject to adjustment for changes in capitalization, in the case of any awards granted under the 2018 Plan following the approval of this Proposal 5 by our stockholders, (x) each share with respect to which an option or stock-settled SAR is granted under the 2018 Plan reduces the aggregate number of shares that may be delivered under the 2018 Plan by one share and (y) each share with respect to which any other award denominated in shares is granted under the 2018 Plan reduces the aggregate number of shares that may be delivered under the 2018 Plan by 1.76 shares. Upon exercise of a stock-settled SAR, each share with respect to which such stock-settled SAR is exercised counts as one share against the maximum aggregate number of shares available under the 2018 Plan, regardless of the number of shares actually delivered upon settlement of such stock-settled SAR. Settlement of any award does not count against the number of shares available for delivery under the 2018 Plan except to the extent settled in the form of shares. If, after the effective date of the 2018 Plan, any award granted under the 2018 Plan is forfeited, or otherwise expired, terminated or is canceled without the delivery of all shares subject thereto, or is settled other than by the delivery of shares (and in the case of cash settlement, for less than the then-market value), then the number of shares subject to such award that were not issued are not treated as issued, such that the aggregate number of shares that may be delivered pursuant the 2018 Plan is increased by the number of shares by which the aggregate number of shares was reduced at the time the original award was granted.

Types of Awards. Awards under the 2018 Plan may include incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock, restricted stock units and performance units, qualified performance-based awards, and stock grants. Each award is evidenced by an instrument in such form as the Compensation Committee may prescribe, setting forth applicable terms such as the exercise price and term of any option or applicable forfeiture conditions or performance requirements for any restricted stock or restricted stock units. Except as noted below, all relevant terms of any award are set by the Compensation Committee in its discretion. On February 2, 2018, the closing price of our common stock listed on the NASDAQ Global Market was $15.77.

- Nonstatutory stock options and incentive stock options, or stock options, are rights to purchase common stock of the Company. A stock option may be immediately exercisable or become exercisable in such installments, cumulative or

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

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

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

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

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

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

Effect of Termination of Employment or Association. Unless the Compensation Committee determines otherwise in connection with any particular award under the 2018 Plan, other than in the context of a change of control of the Company (see "Change of Control" below), stock options and SARs will generally terminate three months following the recipient's termination of employment or other association with the Company. The effect of termination on other awards will depend on the terms of those awards.

Transferability. In general, no award under the 2018 Plan may be transferred by the recipient, and during the life of the recipient all rights under an award may be exercised only by the recipient or his or her legal representative. However, the Compensation Committee may approve the transfer, without consideration, of an award of a nonstatutory option or restricted stock to a family member.

Effect of Significant Corporate Event. In the event of any change in the outstanding shares of common stock through merger, consolidation, sale of all or substantially all the property of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other distribution with respect to such shares of common stock, an appropriate and proportionate adjustment will be made in (1) the maximum numbers and kinds of shares subject to the 2018 Plan and the 2018 Plan limits, (2) the numbers and kinds of shares or other securities subject to the then outstanding awards, (3) the exercise or hurdle price for each share or other unit of any other securities subject to then outstanding stock options or SARs (without change in the aggregate purchase or hurdle price as to which stock options or SARs remain exercisable), and (4) the repurchase price of each share of restricted stock then subject to a risk of forfeiture in the form of a Company repurchase right. Upon dissolution or liquidation of the Company, other than as part of an acquisition or similar transaction, each outstanding stock option or SAR shall terminate, but the participant shall have the right, immediately prior to the dissolution or liquidation, to exercise the stock option or SAR to the extent exercisable on the date of dissolution or liquidation.

Change of Control. Subject to certain "limited acceleration" exceptions for time-based awards and performance-based awards described in the 2018 Plan, upon a change of control, the Compensation Committee may not accelerate the vesting and exercisability (as applicable) of any outstanding awards, in whole or in part. A change of control is defined as the occurrence of any of: (a) a transaction or series of transactions (i) constituting a consolidation, merger or similar transaction of the Company after which less than 50% of the voting power of the resulting entity or ultimate parent entity is represented by previously issued and outstanding Company securities, or securities into which the Company securities were converted or (ii) that results in the transfer of at least 80% of the total assets of the Company; (b) the stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; (c) as a result of a tender or exchange offer, open market purchases, privately-negotiated purchases or otherwise, without the approval of the Board, a person or group of persons obtains more than 50% of the total combined voting power of the Company ; or (d) the composition of the Board changes, over a period of 36 months or less, such that a majority of the individuals on the Board cease for any reason to constitute at least a majority thereof, unless the election or the nomination for each election by the Company's stockholders of each new director during such 36-month period was approved by a vote of at least a majority of the directors then still in office who were directors at the beginning of such 36-month period (or were approved by a majority of directors then in office).

If employment with the Company and its affiliates should subsequently terminate during the one year period following a change of control, then as to any one or more outstanding awards of an employee which are not otherwise accelerated in full in accordance with the "Limited Acceleration" provision of the 2018 Plan, the Compensation Committee may, either in advance of a change of control or at the time thereof and upon such terms as it may deem appropriate, provide for the acceleration of such outstanding awards as follows: (i) all outstanding awards held by a 2018 Plan participant shall become vested and/or exercisable as of the effective date of termination, whether or not the awards were otherwise vested and/or exercisable, and all conditions shall be waived with respect to outstanding awards, and (ii) for all outstanding awards that are "performance awards", (A) if the performance cycle has been completed, payment of amounts determined in accordance with the terms of the performance award shall be made in a lump sum not later than 90 days following the effective date of such termination, and (B) otherwise, the target level of performance shall be deemed to have been achieved with respect to such performance award and payment of amounts determined in accordance with the terms of the performance award, pro-rated to reflect the portion of the full performance cycle for such performance award that elapsed prior to such effective date shall be made in a lump sum not later than 90 days following such effective date.

Amendments to the 2018 Plan. Generally the Board may amend or modify the 2018 Plan at any time subject to the rights of holders of outstanding awards on the date of amendment or modification. However, the Board may not amend the 2018 Plan, without stockholder approval, (i) to change the description of the persons eligible for awards under the 2018 Plan, (ii) to increase the number of shares of common stock available under the 2018 Plan, except as necessary to carry out adjustments for changes in capitalization, (iii) to change the basis on which shares under any award are taken into account for purposes of the limitation on the number of shares of common stock available under the 2018 Plan, or (iv) a required by law, regulation or stock exchange rule.

Summary of Tax Consequences. The following is a brief and general discussion of the United States federal income tax consequences to recipients of awards granted under the 2018 Plan. This summary is not comprehensive and is based upon laws and regulations in effect at the date of this proxy statement. Such laws and regulations are subject to change. This summary is intended for the information of shareholders considering how to vote and not as tax guidance to participants in the 2018 Plan. Participants in the 2018 Plan should consult their own tax advisors as to the tax consequences of participation.

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

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

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

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

- *Restricted stock units, performance units, stock grants and cash grants.* A participant will generally recognize ordinary income on receipt of any shares of common stock, cash or other property in satisfaction of any of these awards under the 2018 Plan.

- *Potential deferred compensation.* For purposes of the foregoing summary of federal income tax consequences, we assume that no award under the 2018 Plan will be considered "deferred compensation" as that term is defined for purposes of federal tax legislation governing nonqualified deferred compensation arrangements, Section 409A of the Code, or, if any award were considered to any extent to constitute deferred compensation, its terms would comply with the requirements of that legislation (in general, by limiting any flexibility in the time of payment). If an award includes deferred compensation, and its terms do not comply with the requirements of the legislation, then any deferred compensation component of an award under the 2018 Plan will be taxable when it is earned and vested (even if not then payable) and the recipient will be subject to a 20% additional tax.

- *Section 162(m) limitations on the Company's tax deduction.* In general, whenever a recipient is required to recognize ordinary income in connection with an award, the Company will be entitled to a corresponding tax deduction. However, the Company will not be entitled to deductions in connection with awards under the 2018 Plan to certain employees to the extent that the amount of deductible income in a year to any such employee, together with his or her other compensation from the Company exceeds the $1 million limitation of Section 162(m) of the Code.

New Plan Benefits. If the proposed 2018 Plan is approved by our stockholders, in the future, our Compensation Committee or our full Board will have available at least 500,000 shares of our common stock for awards under the 2018 Plan to eligible participants, including to our officers and directors. However, none of the benefits or amounts that will be received by or allocated to any such participants under the 2018 Plan, as proposed, is determinable at this time.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” APPROVAL OF THE 2018 PLAN.

OTHER MATTERS

2017 Annual Report

Our annual report for the fiscal year ended June 30, 2017 will be available over the Internet and is being mailed with this Proxy Statement.

Form 10-K

We filed an annual report on Form 10-K for the fiscal year ended June 30, 2017 with the SEC on September 6, 2017 and filed an amendment to our annual report on Form 10-K/A on October 6, 2017. Stockholders may obtain a copy of the annual report on Form 10-K, without charge, by writing to our Corporate Secretary, at the address of our offices located at 860 N. McCarthy Blvd., Suite 200, Milpitas, California 95035, or through our website at www.aviatnetworks.com.

Other Business

The Board is not aware of any other matter that may be presented for consideration at the Annual Meeting. Should any other matter properly come before the Annual Meeting, your shares of common stock will be voted in accordance with the discretion of the proxy holders.

Householding of Proxy Materials

To reduce costs and the environmental impact of the Annual Meeting, a single proxy statement and annual report, along with individual proxy cards, will be delivered in one envelope to certain stockholders having the same last name and address, and to individuals with more than one account registered with our transfer agent with the same address, unless contrary instructions have been received from an affected stockholder. Stockholders participating in householding will continue to receive separate proxy cards. If you are a registered stockholder and would like to enroll in this service or receive individual copies of this year's and/or future proxy materials, please contact Broadridge Financial Solutions, Inc. 51 Mercedes Way, Edgewood, New York 11717; or contact our Corporate Secretary at 408-941-7100 or at our headquarters at 860 N. McCarthy Blvd., Suite 200, Milpitas, California 95035. If you are a beneficial stockholder, you may contact the broker or bank where you hold the account.

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Appendix A

AVIAT NETWORKS, INC.

2018 INCENTIVE PLAN

1. Establishment and Purpose

In February 2018, the Board approved the 2018 Plan, subject to stockholder approval at the Annual Meeting. The 2018 Plan was adopted to advance the interests of the Company by providing eligible individuals of the Company and its affiliates with an opportunity to acquire or increase a proprietary interest in the Company, and to receive performance-based cash and equity incentive compensation, in order to create a stronger incentive to expend maximum effort for the growth and success of the Company and its subsidiaries, and to encourage such eligible individuals to remain in the employ of the Company or one or more of its affiliates.

1.1 Establishment of the Plan. Aviat Networks, Inc., a Delaware corporation (together with any successor thereto as provided in Section 16, hereinafter referred to as the "Company"), hereby establishes a stock equity plan to be known as the 2018 Incentive Plan (hereinafter referred to as the "Plan"), as set forth in this document. The Plan permits the grant of Nonstatutory Options, Incentive Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units and Other Stock-Based Awards (each as defined below).

The Plan is adopted and is effective as of February 12, 2018 (the "Effective Date") and shall remain in effect as provided in Section 1.3; provided, however, no Option (as defined below) may be exercised and no other Award (as defined below) may be exercised or otherwise paid until the Plan has been approved by the Company's stockholders at a meeting at which approval of the Plan is considered.

1.2 Purpose of the Plan. The purpose of the Plan is to promote the interests of the Company and its stockholders by aligning the interests of the Participants (as defined below), through the ownership of Shares (as defined below) and through other incentives, with the interests of the Company's stockholders, and by providing flexibility to the Company to attract, motivate, and retain Employees (as defined below), Directors (as defined below), consultants and advisors upon whose judgment, initiative, and efforts the financial success and growth of the business of the Company largely depend. This Plan is intended to replace the prior 2007 Stock Equity Plan, as Amended and Restated Effective November 13, 2015 (the "Prior Plan"), which Prior Plan shall be automatically terminated, replaced and superseded by this Plan on the date on which this Plan is approved by the Company's stockholders, except that any awards granted under the Prior Plan shall continue to be subject to the terms of the Prior Plan and applicable Award Agreements (as defined below) (including any such terms that are intended to survive the termination of the Prior Plan or the settlement of such Award (as defined below)) and shall remain in effect pursuant to their terms.

2. Definitions

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

2.1 Affiliate has the meaning ascribed to such term in Rule 12b-2 promulgated under the General Rules and Regulations of the Exchange Act.

2.2 Award means, individually or collectively, any grant or sale pursuant to the Plan of Options, Stock Appreciation Rights, Performance Units, Restricted Stock, Restricted Stock Units or Other Stock-Based Awards, in each case subject to the terms of the Plan.

2.3 Award Agreement means an agreement, certificate, resolution or other type or form of writing or other evidence approved by the Committee which sets forth the terms and conditions of an Award. An Award Agreement may be in any electronic medium, may be limited to a notation on the books and records of the Company and, with the approval of the Committee, need not be signed by a representative of the Company or a Participant.

2.4 Beneficial Owner or Beneficial Ownership has the meaning ascribed to such term in Rule 13d-3 promulgated under the General Rules and Regulations under the Exchange Act.

2.5 Board means the Company's Board of Directors.

2.6 Business Combination has the meaning set forth in Section 9.1.

2.7 Change Of Control has the meaning set forth in Section 9.1.

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

2.9 Committee means the Compensation Committee of the Board, or such other committee designated by the Board to administer the Plan. The members of the Committee shall be appointed from time to time by and shall serve at the discretion of the Board. The Committee shall consist solely of two or more directors who are "nonemployee directors" under Rule 16b-3 promulgated under the Exchange Act, "outside directors" as defined under Section 162(m) of the Code**,** and "independent directors" under the listing requirements of the NASDAQ Global Market, or any similar rule or listing requirement that may be applicable to the Company from time to time. For any period during which no such committee is in existence "Committee" shall mean the Board and all authority and responsibility assigned to the Committee under the Plan shall be exercised, if at all, by the Board.

2.10 Company has the meaning set forth in Section 1.1.

2.11 Director means a member of the Board of Directors of the Company, its Affiliates and/or Subsidiaries.

2.12 Effective Date has the meaning set forth in Section 1.1.

2.13 Employee means any employee of the Company, its Affiliates and/or Subsidiaries.

2.14 ERISA means the Employee Retirement Income Security Act of 1974, as amended.

2.15 Exchange Act means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

2.16 Fair Market Value or FMV means the value of a share of Stock on a particular date determined by such methods or procedures as may be established by the Committee. Unless otherwise determined by the Committee, the Fair Market Value of Stock as of any date is the closing price for the Stock as reported on the NASDAQ Global Market (or on any other national securities exchange on which the Stock is then listed) for that date or, if no closing price is reported for that date, the closing price on the next preceding date for which a closing price was reported. In addition, for purposes of determining the Fair Market Value of Stock for any reason other than the determination of the Option Price or Stock Appreciation Rights, fair market value will be determined by the Committee in a manner compliant with applicable laws and applied consistently for such purpose. Note that the determination of Fair Market Value for purposes of tax withholding may be made in the Committee's sole discretion subject to applicable laws and is not required to be consistent with the determination of Fair Market Value for other purposes.

2.17 Incentive Option means an Option that is intended to qualify as an "incentive stock option" within the meaning of Section 422 of the Code.

2.18 Nonstatutory Option means any Option that is not intended to meet the requirements of Section 422 of the Code, or that otherwise does not meet such requirements.

2.19 Option means the right to purchase Stock granted to a Participant in accordance with Section 7.1. Options granted under the Plan may be Nonstatutory Options, Incentive Options or a combination thereof.

2.20 Option Price means the price at which a share of Stock may be purchased by a Participant pursuant to an Option.

2.21 Other Stock-Based Award means an equity-based or equity-related Award not otherwise described by the terms of the Plan, granted pursuant to Section 7.5.

2.22 Participant means an eligible person as set forth in Section 6.1 to whom an Award is granted under the Plan.

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

2.24 Performance Goals means, for a Performance Period, the written goal or goals established by the Committee for the Performance Period based upon the Performance Criteria. The Performance Goals may be expressed in terms of overall Company performance or the performance of a division, business unit, subsidiary, or an individual, either individually, alternatively or in any combination, applied to either the Company as a whole or to a business unit or Affiliate, either individually, alternatively or in any combination, and measured either quarterly, annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous years' results or to a designated comparison group, in each case as specified by the Committee. The Committee will objectively define the manner of calculating the Performance Goal or Goals it selects to use for such Performance Period for such Participant. The Committee may appropriately adjust any evaluation of performance against a Performance Goal to exclude any of the following events that occurs during a performance period: (i) asset write-downs, (ii) litigation, claims, judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs and (v) any extraordinary, unusual, non-recurring or non-comparable items (A) as described in Accounting Standard Codification 225-20, (B) as described in management's discussion and analysis of financial condition and results of operations appearing in the Company's Annual Report to stockholders for the applicable year, or (C) publicly announced by the Company in a press release or conference call relating to the Company's results of operations or financial condition for a completed quarterly or annual fiscal period.

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

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

2.27 Person has the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) thereof.

2.28 Plan has the meaning set forth in Section 1.1.

2.29 Prior Plan has the meaning set forth in Section 1.2.

2.30 Restricted Stock means Shares granted or sold to a Participant pursuant to Section 7.3 as to which the Restriction Period has not lapsed.

2.31 Restricted Stock Unit means a unit granted or sold to a Participant pursuant to Section 7.3 as to which Restriction Period has not lapsed.

2.32 Restriction Period means the period when Restricted Stock or Restricted Stock Units are subject to a "substantial risk of forfeiture" within the meaning of Section 83 of the Code (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Committee, in its discretion), as provided in Section 7.3.

2.33 Share means a share of common stock of the Company, par value $0.01 per Share.

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

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

2.36 Subsidiary means a corporation, company or other entity (i) more than 50% of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, or (ii) which does not have outstanding shares or securities (as may be the case in a partnership, joint venture or unincorporated association), but more than 50% of whose ownership interest representing the right generally to make decisions for such other entity is, now or hereafter, owned or controlled, directly or indirectly, by the Company, except that for purposes of determining whether any person may be a Participant for purposes of any grant of Incentive Options, “Subsidiary” means any corporation in which at the time the Company owns or controls, directly or indirectly, more than 50% of the total combined voting power represented by all classes of stock issued by such corporation.

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

3. Term of the Plan

Unless the Plan shall have been earlier terminated by the Board, Awards may be granted under this Plan at any time in the period commencing on the date of approval of the Plan by the Board and ending immediately prior to the 7th anniversary of the earlier of the adoption of the Plan by the Board or approval of the Plan by the Company’s stockholders. Awards of Incentive Options granted prior to stockholder approval of the Plan are expressly conditioned upon such approval, but in the event of the failure of the stockholders to approve the Plan shall thereafter and for all purposes be deemed to constitute Nonstatutory Options. After the Plan is terminated, no Awards may be granted but Awards previously granted shall remain outstanding in accordance with their applicable terms and conditions and the Plan’s terms and conditions.

4. Stock Subject to the Plan

Subject to adjustment as provided in this Section 4 and Section 8, the aggregate number of Shares of Stock which may be granted, issued or delivered pursuant to Awards under the Plan (including pursuant to the exercise of Incentive Options) shall be the sum of: (i) 500,000 Shares, plus (ii) the number of shares of common stock of the Company which remain available for grants of options or other awards under the Prior Plan as of the Effective Date, plus (iii) the number of Shares that, after the Effective Date, would again become available for issuance pursuant to the reserved share replenishment provisions of the Prior Plan as a result of, stock options issued thereunder expiring or becoming unexercisable for any reason before being exercised in full, or, as a result of restricted stock being forfeited to the Company or repurchased by the Company pursuant to the terms of the agreements governing such shares. The share replenishment provision of the immediately preceding clause (iii) shall be effective regardless of whether the Prior Plan has terminated or remains in effect.

For purposes of applying the foregoing limitation,

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

(b) the full number of Options and Stock Appreciation Rights granted that are to be settled by the issuance of Shares shall be counted against the number of Shares available for award under the Plan, regardless of the number of Shares actually issued upon settlement of any such Award;

(c) any Shares withheld to satisfy tax withholding obligations on an Award issued under the Plan with respect to an Option, Stock Appreciation Right or full-value awards, Shares tendered to pay the exercise price of an Award

under the Plan, and Shares repurchased on the open market with the proceeds of an Option exercise will not be eligible to be again available for grant under the Plan;

(d) each Share of Stock issued pursuant to or subject to outstanding Awards granted after the Effective Date, other than pursuant to or subject to any Option or Stock Appreciation Right, shall count as 1.76 Shares of Stock (but if forfeited, or repurchased at less than its then Fair Market Value as a means of effecting forfeiture, shall again be available for grant under the Plan as 1.76 Shares of Stock available under the limitation); and

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

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

5. Administration

5.1 General. The Committee shall be responsible for administering the Plan, subject to this Section 5 and the other provisions of the Plan. The act or determination of a majority of the Committee shall be the act or determination of the Committee and any decision reduced to writing and signed by all of the members of the Committee shall be fully effective as if it had been made by a majority at a meeting duly held. The Committee may employ attorneys, consultants, accountants, agents, and other persons, any of whom may be an Employee, and the Committee, the Company, and its officers and Directors shall be entitled to rely upon the advice, opinions, or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Participants, the Company, and all other interested persons.

5.2 Authority of the Committee. The Committee shall have full and exclusive discretionary power to interpret the terms and the intent of the Plan and any Award Agreement or other agreement or document ancillary to or in connection with the Plan, to determine eligibility for Awards and to adopt such rules, regulations, forms, instruments, and guidelines for administering the Plan as the Committee may deem necessary or proper. Such authority shall include, but not be limited to, selecting Award recipients, establishing all Award terms and conditions, including the terms and conditions set forth in an Award Agreement, and, subject to Section 17, adopting modifications and amendments to the Plan or any Award Agreement, including without limitation, any that are necessary to comply with the laws of the countries and other jurisdictions in which the Company, its Affiliates, and/or its Subsidiaries operate. If the Committee does not exist or is unable to act for any reason, then the Plan shall be administered by the Board, and references herein to the Committee (except in the proviso to this sentence) shall be deemed to be references to the Board.

Notwithstanding anything in the Plan to the contrary, equity-based Awards granted under the Plan may not become exercisable, vest or be settled, in whole or in part, prior to the one-year anniversary of the date of grant, except that: (A) the Board may provide that Awards become exercisable, vest or settle prior to such date in the event of the Participant's death or disability or in the event of a Change Of Control (as defined below); and (B) annual equity grants to non-employee Directors that occur in connection with the Company's annual meeting of shareholders may vest on the date of the Company's next annual meeting. The Committee's determinations made in good faith on matters referred to in the Plan shall be final, binding and conclusive on all persons having or claiming any interest under the Plan or an Award made pursuant hereto.

6. Eligibility and Participation

6.1 Eligibility. Individuals eligible to participate in the Plan include all Employees and nonemployee Directors, and all consultants and advisors to the Company, its Affiliates and/or Subsidiaries.

6.2 Actual Participation. Subject to the provisions of the Plan, the Committee may, from time to time, select from all eligible individuals, those to whom Awards shall be granted and shall determine, in its sole discretion, the nature of, any and all terms permissible by law, and the amount of each Award. In making this determination, the Committee may consider any factors it deems relevant, including without limitation, the office or position held by a Participant or the Participant's relationship to the Company, the Participant's degree of responsibility for and contribution to the growth and success of the Company or any Subsidiary or Affiliate, the Participant's length of service, promotions and potential. Further,

in no event shall the number of Shares of Stock covered by Options or other Awards granted to any one person in any one calendar year exceed 150,000, as adjusted from time to time under Section 8.

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

6.4 Effect of Termination of Employment, Etc.

(a) To the extent consistent with Sections 409A and 162(m) of the Code, each Award Agreement shall set forth the extent to which the Participant shall have the right to retain or accelerate the vesting or exercisability of an Award following termination of the Participant's employment with or provision of services to the Company, its Affiliates, and/or its Subsidiaries, as the case may be. Such provisions shall be determined in the sole discretion of the Committee, need not be uniform among all Awards issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination; provided, however, any outstanding Option or SAR of the Participant shall cease to be exercisable in any respect not later than 3 months following termination and, for the period it remains exercisable following termination, shall be exercisable only to the extent exercisable at the date of termination. Military or sick leave or other bona fide leave shall not be deemed a termination of employment or other association, provided that it does not exceed the longer of three (3) months or the period during which the absent Participant's reemployment rights, if any, are guaranteed by statute or by contract.

(b) If the employment of a Participant with the Company and its Affiliates should subsequently terminate during the one year period following a Change Of Control, then as to any one or more outstanding Awards which are not otherwise accelerated in full in accordance with Section 9.2, the Committee may, either in advance of a Change Of Control or at the time thereof and upon such terms as it may deem appropriate, provide for the acceleration of such outstanding Awards in accordance with the following provisions:

(i) All outstanding Awards held by such Participant shall become vested and/or exercisable as of the effective date of such termination, whether or not the Awards were otherwise vested and/or exercisable, and all conditions shall be waived with respect to outstanding Awards, and

(ii) For all outstanding Awards that are Performance Awards, (A) if the performance cycle has been completed, payment of amounts determined in accordance with the terms of the Performance Award shall be made in a lump sum not later than 90 days following the effective date of such termination, and (B) otherwise, the target level of performance shall be deemed to have been achieved with respect to such Performance Award and payment of amounts determined in accordance with the terms of the Performance Award, pro-rated to reflect the portion of the full performance cycle for such Performance Award that elapsed prior to such effective date shall be made in a lump sum not later than 90 days following such effective date.

6.5 Non-Transferability of Awards. Except as otherwise provided in this Section 6.5, Awards shall not be transferable, and no Award or interest therein may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution or as otherwise required by law. All of a Participant's rights in any Award may be exercised during the life of the Participant only by the Participant or the Participant's legal representative. However, the Committee may, at or after the grant of an Award of a Nonstatutory Option, or shares of Restricted Stock, provide that such Award may be transferred by the recipient to a family member; provided, however, that any such transfer is without payment of any consideration whatsoever and that no transfer shall be valid unless first approved by the Committee, acting in its sole discretion. For this purpose, "family member" has the meaning set forth in the instruction to Form S-8 under the Securities Act of 1933.

6.6 Awards to Participants Outside the United States. The Committee may modify the terms of any Award under the Plan granted to a Participant who is, at the time of grant or during the term of the Award, resident or primarily employed outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that the Award shall conform to laws, regulations, and customs of the country in which the Participant is then resident or primarily employed, or so that the value and other benefits of the Award to the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad, shall be comparable to the value of

such an Award to a Participant who is resident or primarily employed in the United States. The Committee may establish supplements to, or amendments, restatements, or alternative versions of the Plan for the purpose of granting and administrating any such modified Award. No such modification, supplement, amendment, restatement or alternative version may increase the Share limit of Section 4.

7. Specific Terms of Awards

7.1 Options.

(a) Grant of Options. Subject to the terms and provisions of the Plan, Options may be granted to Participants in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee, in its sole discretion; provided that Incentive Options may be granted only to eligible Employees of the Company or of any parent or subsidiary corporation (as permitted under Sections 422 and 424 of the Code).

(b) Award Agreement. Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the maximum duration of the Option, the number of Shares to which the Option pertains, the conditions upon which an Option shall become vested and exercisable, and such other provisions as the Committee shall determine which are not inconsistent with the terms of the Plan. The Award Agreement also shall specify whether the Option is intended to be an Incentive Option or a Nonstatutory Option. Only if expressly so provided in the applicable Award Agreement shall the grant date be the date on which the Award Agreement shall have been duly executed and delivered by the Company and the Optionee.

(c) Option Price. The Option Price for each grant of an Option under the Plan shall not be less than 100% of the Fair Market Value of Stock on its grant date. With respect to a Participant who is a Ten Percent Owner, the Option Price of Stock subject to an Incentive Option shall not be less than 110% of the Fair Market Value of Stock on its grant date.

(d) Option Period. Except as otherwise provided in Section 422 of the Code with respect to any Incentive Option, each Option granted to a Participant shall expire at such time as the Committee shall determine at the time of grant and specify in the Award Agreement; provided, however, that no Incentive Option may be exercisable on or after the 7th anniversary of its grant date or on or after the 5th anniversary of its grant date if the Participant is a Ten Percent Owner. No Nonstatutory Option may be exercisable on or after the 7th anniversary of its grant date. If the Fair Market Value exceeds the Option Price on the last day that an Option may be exercised under an Award Agreement, as long as an exercise would be permitted under applicable laws, the affected Participant will be deemed to have exercised the vested portion of such Option in a net exercise under Section 7.1(e) below without the requirement of any further action.

(e) Exercisability. An Option may be immediately exercisable or become exercisable in such installments, cumulative or non-cumulative, as the Committee may determine. In the case of an Option not otherwise immediately exercisable in full, the Committee may, subject to Section 6.4 and Section 9, accelerate such Option in whole or in part; provided, however, that in the case of an Incentive Option, any such acceleration of the Option would not cause the Option to fail to comply with the provisions of Section 422 of the Code.

(f) Method of Exercise and Payment. An Option may be exercised by the Participant giving written notice, in the manner provided in Section 18, specifying the number of Shares with respect to which the Option is then being exercised. The notice shall be accompanied by payment in the form of cash or check payable to the order of the Company in an amount equal to the Option Price of the shares to be purchased or, subject in each instance to the Committee's approval, acting in its sole discretion, and to such conditions, if any, as the Committee may deem necessary to avoid adverse accounting effects to the Company, by delivery to the Company Shares of Stock having a Fair Market Value equal to the Option Price of the Shares to be purchased. An Option may also be exercised via a net exercise method whereby the Company withholds from the delivery of Stock for which the Option was exercised that number of Shares of Stock having a Fair Market Value equal to the aggregate Option Price of the Shares of Stock for which the Option was exercised.

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

Participant or his agent the number of Shares then being purchased. Such Shares of Stock shall be fully paid and nonassessable.

Unless otherwise determined by the Committee, all payments under all of the methods indicated above shall be paid in United States dollars.

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

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

7.2 Stock Appreciation Rights.

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

(b) Award Agreement. Each SAR shall be evidenced by an Award Agreement that shall specify the exercise price, the term of the SAR, and such other provisions as the Committee shall determine.

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

(d) Period. No Stock Appreciation Right may be exercised on or after the 7th anniversary of the grant date.

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

7.3 Restricted Stock and Restricted Stock Units.

(a) Grant of Restricted Stock or Restricted Stock Units. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock and Restricted Stock Units to Participants in such amounts as the Committee shall determine. Restricted Stock Units shall represent the right of a Participant to receive Shares of Stock upon the lapse of the Period of Restriction.

(b) Award Agreement. Each Share of Restricted Stock and/or Restricted Stock Unit grant shall be evidenced by an Award Agreement that shall specify the Period(s) of Restriction, the number of Shares of Restricted Stock or the number of Restricted Stock Units granted, and such other provisions as the Committee shall determine.

(c) Other Restrictions. The Committee shall impose such other conditions and/or restrictions on any Shares of Restricted Stock or Restricted Stock Units granted pursuant to the Plan as it may deem advisable including, without limitation, a requirement that Participants pay a stipulated purchase price for each Share of Restricted Stock or each Restricted Stock Unit, restrictions based upon the achievement of specific performance goals, time-based restrictions on vesting following the attainment of the performance goals, time-based restrictions, and/or restrictions under applicable laws or under the requirements of any stock exchange or market upon which such Shares are listed or traded, or holding requirements or sale restrictions placed on the Shares by the Company upon vesting of such Restricted Stock or Restricted Stock Units. Subject to Section 6.4 and Section 9, any such Restriction Period may be shortened by the Committee on such basis as it deems appropriate.

In the event that the vesting date occurs on a date which is not a trading day on the principal securities exchange on which the Shares are then traded, the Fair Market Value on the last prior trading date will be utilized for cost basis.

To the extent deemed appropriate by the Committee, the Company may retain the certificates representing Shares of Restricted Stock in the Company's possession until such time as all conditions and/or restrictions applicable to such Shares have been satisfied or lapse.

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

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

(f) Voting and Other Rights. Except as otherwise provided in the Plan or the applicable Award Agreement, to the extent permitted or required by law, a Participant holding Shares of Restricted Stock granted hereunder shall have all of the rights of a stockholder of the Company, including the right to vote. A Participant shall have no voting rights with respect to any Restricted Stock Units granted hereunder. At the discretion of the Committee, a Participant may be entitled to receive payments equivalent to any dividends declared with respect to Stock referenced in grants of Restricted Stock Units but only following the close of the applicable Restriction Period and then only if the underlying Stock shall have been earned. Unless the Committee shall provide otherwise, any such dividend equivalents shall be paid, if at all, without interest or other earnings.

(g) Form and Timing of Payment. If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock, any certificates for such shares shall be delivered to the Participant promptly if not theretofore so delivered, and the restrictive legends shall be promptly removed from any book-entry registrations for such shares. Settlement of vested Restricted Stock Units shall be made promptly following the close of the applicable Restriction Period.

(h) Section 83(b) Election. The Board may provide in an Award Agreement that the Award of Restricted Stock is conditioned upon the Participant making or refraining from making an election with respect to the Award under Section 83(b) of the Code. If a Participant makes an election pursuant to Section 83(b) of the Code concerning a Restricted Stock Award, the Participant shall be required to file promptly a copy of such election with the Company.

7.4 Performance Units.

(a) Grant of Performance Units. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Performance Units to Participants in such amounts and upon such terms as the Committee shall determine.

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

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

(d) Form and Timing of Payment. Payment of earned Performance Units shall be as determined by the Committee and as evidenced in the Award Agreement. Payment shall be made in a single lump sum equal to the value of the earned Performance Units at the close of the applicable Performance Period, or as soon as practicable after the end of the Performance Period, but not later than the expiration of the deferral period for such Award under Section 409A of the Code. At the discretion of the Committee, Participants may be entitled to receive any dividends declared with respect to Stock which have been earned in connection with grants of Performance Units which have been earned but not yet distributed to Participants. The Committee may permit or, if it so provides at grant require, a Participant to defer such Participant's receipt of the payment of cash or the delivery of Stock that would otherwise be due to such Participant by virtue of the satisfaction of any requirements or goals with respect to Performance Units. If any such deferral election is required or permitted, the Committee shall establish rules and procedures for such payment deferrals in accordance with Section 409A of the Code.

7.5 Other Stock-Based Awards.

(a) Other Stock-Based Awards. The Committee may grant other types of equity-based or equity-related Awards not otherwise described by the terms of the Plan (including the grant or offer for sale of unrestricted Shares) in such amounts and subject to such terms and conditions as the Committee shall determine. Such Awards may involve the transfer of actual Shares to Participants, or payment in cash or otherwise of amounts based on the value of Shares and may include, without limitation, Awards designed to comply with or take advantage of the applicable local laws of jurisdictions other than the United States.

(b) Value Other Stock-Based Awards. Each Other Stock-Based Award shall be expressed in terms of Shares or units based on Shares, as determined by the Committee.

(c) Payment of Other Stock-Based Awards. Payment, if any, with respect to an Other Stock-Based Award shall be made in accordance with the terms of the Award, in cash, Shares or a combination thereof, as the Committee determines.

8. Adjustment Provisions

8.1 Adjustment for Corporate Actions. All of the share numbers set forth in the Plan reflect the capital structure of the Company as of the Effective Date. Subject to Section 9.2, if subsequent to the Effective Date the outstanding Shares of Stock (or any other securities covered by the Plan by reason of the prior application of this Section) are increased, decreased, or exchanged for a different number or kind of shares or other securities, or if additional Shares or new or different shares or other securities are distributed with respect to Shares of Stock, through merger, consolidation, sale of all or substantially all the property of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar distribution with respect to such Shares of Stock, an appropriate and proportionate adjustment will be made in (i) the maximum numbers and kinds of Shares provided in Section 4, (ii) the numbers and kinds of Shares or other securities subject to the then outstanding Awards, (iii) the exercise price for each Share or other unit of any other securities subject to then outstanding Options and Stock Appreciation Rights (without change in the aggregate purchase price as to which such Options or Rights remain exercisable), and (iv) the repurchase price of each Share of Restricted Stock then subject to a risk of forfeiture in the form of a Company repurchase right.

8.2 Cancellation and Termination of Awards. The Committee may, in connection with any merger, consolidation, share exchange or other transaction entered into by the Company in good faith, determine that any outstanding Awards granted under the Plan, whether or not vested, will be canceled and terminated and that in connection with such

cancellation and termination the holder of such Award may receive for each Share of Common Stock subject to such Award a cash payment (or the delivery of shares of stock, other securities or a combination of cash, stock and securities equivalent to such cash payment) equal to the difference, if any, between the amount determined by the Committee to be the Fair Market Value of the Common Stock and the purchase price per Share (if any) under the Award multiplied by the number of Shares subject to such Award; provided that if such product is zero or less or to the extent that the Award is not then exercisable, the Award will be canceled and terminated without payment therefor.

8.3 Dissolution or Liquidation. Upon dissolution or liquidation of the Company, other than as part of a Change Of Control, each outstanding Option and SAR shall terminate, but the Participant (if, at the time, an Employee of the Company or an Affiliate) shall have the right, immediately prior to the dissolution or liquidation, to exercise the Option or SAR to the extent exercisable on the date of dissolution or liquidation.

8.4 Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. In the event of any corporate action not specifically covered by the preceding Sections, including but not limited to an extraordinary cash distribution on Stock, a corporate separation or other reorganization or liquidation, the Committee may make such adjustment of outstanding Awards and their terms, if any, as it, in its sole discretion, may deem equitable and appropriate in the circumstances. The Committee may make adjustments in the terms and conditions of, and the criteria included in Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in this Section) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. Adjustments under this Section 8.4 shall be consistent with Section 409A and 162(m) of the Code and adjustments pursuant to determination of the Committee shall be conclusive and binding on all Participants under the Plan.

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

9. Change Of Control

9.1 Change Of Control. For purposes of the Plan, a "Change Of Control" shall mean the occurrence during the term of any of the following events.

(a) the consummation of:

(i) any consolidation, merger or similar transaction of the Company (a "Business Combination") (other than a consolidation, merger or similar transaction of the Company into or with a direct or indirect wholly-owned Subsidiary) as a result of which (1) the stockholders of the Company immediately prior to the Business Combination own (directly or indirectly), immediately after the Business Combination, less than 50% of the then outstanding shares of common stock that are entitled to vote generally for the election of directors of the corporation resulting from such Business Combination (including as a result of shares being converted into cash, securities or other property) or (2) the holders of the shares immediately prior to the Business Combination do not have substantially the same proportionate ownership of common stock of the surviving corporation immediately after the Business Combination; or

(ii) any sale, lease, exchange or transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company, provided, however, that no sale, lease, exchange or other transfer of all or substantially all the assets of the Company shall be deemed to occur unless assets constituting at least 80% of the total assets of the Company are transferred pursuant to such sale, lease, exchange or other transfer;

(b) the stockholders of the Company shall approve any plan or proposal for the liquidation or dissolution of the Company;

(c) any Person shall become the Beneficial Owner of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors, as a result of a tender or exchange offer, open market purchases, privately-negotiated purchases or otherwise, without the approval of the Board; or

(d) at any time during a consecutive period of 36 months, individuals who at the beginning of such period constituted the Board shall cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by the Company's stockholders of each new director during such 36-month period was approved by a vote of at least a majority of the directors then still in office who were directors at the beginning of such 36-month period (or were approved by a majority of directors then in office).

Notwithstanding the foregoing, if a Change Of Control constitutes a payment event with respect to any Award (or any portion of an Award) that provides for the deferral of compensation that is subject to Section 409A of the Code, to the extent required to avoid the imposition of additional taxes under Section 409A of the Code, the transaction or event described in subsection (a), (b), (c) or (d) with respect to such Award (or portion thereof) shall only constitute a Change Of Control for purposes of the payment timing of such Award if such transaction also constitutes a "change in control event," as defined in Treasury Regulation Section 1.409A-3(i)(5).

The Committee shall have full and final authority, which shall be exercised in its sole discretion, to determine conclusively whether a Change Of Control has occurred pursuant to the above definition, the date of the occurrence of such Change Of Control and any incidental matters relating thereto; provided that any exercise of authority in conjunction with a determination of whether a Change Of Control is a "change in control event" as defined in Treasury Regulation Section 1.409A-3(i)(5) shall be consistent with such regulation.

9.2 Limited Acceleration Upon Change Of Control. For the avoidance of doubt, the Committee may not accelerate the vesting and exercisability (as applicable) of any outstanding Awards, in whole or in part, solely upon the occurrence of a Change Of Control except as provided in this Section 9.2. In the event of termination of employment at or following a Change Of Control, acceleration of vesting and exercisability of any outstanding Awards, if any, shall occur subject to Section 6.4(b).

In the event of a Change of Control after the date of the adoption of the Plan, then:

(a) to the extent an outstanding Award subject solely to time-based vesting is not assumed or replaced by a comparable Award referencing shares of the capital stock of the successor corporation or its "parent corporation" (as defined in Section 424(e) of the Code) or "subsidiary corporation" (as defined in Section 424(f) of the Code) which is publicly traded on a national stock exchange or quotation system, as determined by the Committee in its sole discretion, with appropriate adjustments as to the number and kinds of shares and the exercise prices, if applicable, then any outstanding Award subject solely to time-based vesting then held by Participants that is unexercisable, unvested or still subject to restrictions or forfeiture shall, in each case as specified by the Committee in the applicable Award Agreement or otherwise, be deemed exercisable or otherwise vested, as the case may be, as of immediately prior to such Change of Control;

(b) all Awards that vest subject to the achievement of any performance goal, target performance level, or similar performance-related requirement shall, in each case as specified by the Committee in the applicable Award Agreement or otherwise, either (A) be canceled and terminated without any payment or consideration therefor; or (B) automatically vest based on: (1) actual achievement of any applicable Performance Goals through the date of the Change Of Control, as determined by the Committee in its sole discretion; or (2) achievement of target performance levels (or the greater of actual achievement of any applicable Performance Goals through the date of the Change of Control, as determined by the Committee in its sole discretion, and target performance levels); provided that in the case of vesting based on target performance levels such Awards shall also be prorated based on the portion of the Performance Period elapsed prior to the Change Of Control; and, in the case of this clause (B), shall be paid at the earliest time permitted under the terms of the applicable agreement, plan or arrangement that will not trigger a tax or penalty under Section 409A of the Code, as determined by the Committee.

Each outstanding Award that is assumed in connection with a Change Of Control, or is otherwise to continue in effect subsequent to the Change Of Control, will be appropriately adjusted, immediately after the Change Of Control, as to the number and class of securities and other relevant terms in accordance with Section 8.

10. Beneficiary Designation

Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Committee, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

11. Deferrals

To the extent permitted by Section 409A and Section 162(m) of the Code, the Committee may permit or require a Participant to defer the delivery of Shares that would otherwise be due to such Participant by virtue of the exercise of an Option or the lapse or waiver of restrictions with respect to Restricted Stock or Restricted Stock Units. If any such deferral election is required or permitted, the Committee shall, in its sole discretion, establish rules and procedures for such payment deferrals consistent with Section 409A of the Code.

It is intended that all Awards issued under the Plan be in a form and administered in a manner that will comply with the requirements of Section 409A of the Code, or the requirements of an exception to Section 409A of the Code, and the Award Agreement and this Plan will be construed and administered in a manner that is consistent with and gives effect to such intent. The Committee is authorized to adopt rules or regulations deemed necessary or appropriate to qualify for an exception from or to comply with the requirements of Section 409A of the Code. With respect to an Award that constitutes a deferral of compensation subject to Section 409A of the Code: (i) if any amount is payable under such Award upon a termination of service, a termination of service will be treated as having occurred only at such time the Participant has experienced a "separation from service" as such term is defined for purposes of Section 409A of the Code; (ii) if any amount is payable under such Award upon a disability, a disability will be treated as having occurred only at such time the Participant has experienced a "disability" as such term is defined for purposes of Section 409A of the Code; (iii) if any amount is payable under such Award on account of the occurrence of a Change Of Control, a Change Of Control will be treated as having occurred only at such time a "change in the ownership or effective control of the corporation or in the ownership of a substantial portion of the assets of the corporation" has occurred as such terms are defined for purposes of Section 409A of the Code, (iv) if any amount becomes payable under such Award on account of a Participant's separation from service at such time as the Participant is a "specified employee" within the meaning of Section 409A of the Code, then no payment shall be made, except as permitted under Section 409A of the Code, prior to the first business day after the earlier of (y) the date that is six months after the date of the Participant's separation from service or (z) the Participant's death, (v) any right to receive any installment payments under this Plan shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment hereunder shall at all times be considered a separate and distinct payment, and (vi) no amendment to or payment under such Award will be made except and only to the extent permitted under Section 409A of the Code.

Notwithstanding the foregoing, the tax treatment of the benefits provided under the Plan or any Award Agreement is not warranted or guaranteed, and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A of the Code.

12. Settlement of Awards

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

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

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

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

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

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

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

12.5 Registration. If the Company shall deem it necessary or desirable to register under the Securities Act of 1933, as amended or other applicable statutes any Shares of Stock issued or to be issued pursuant to Awards granted under the Plan, or to qualify any such Shares of Stock for exemption from the Securities Act of 1933, as amended or other applicable statutes, then the Company shall take such action at its own expense. The Company may require from each recipient of an Award, or each holder of Shares of Stock acquired pursuant to the Plan, such information in writing for use in any registration statement, prospectus, preliminary prospectus or offering circular as is reasonably necessary for that purpose and may require reasonable indemnity to the Company and its officers and directors from that holder against all losses, claims, damage and liabilities arising from use of the information so furnished and caused by any untrue statement of any material fact therein or caused by the omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made. In addition, the Company may require of any such person that he or she agree that, without the prior written consent of the Company or the managing underwriter in any public offering of Shares of Stock, he or she will not sell, make any short sale of, loan, grant any option for the purchase of, pledge or otherwise encumber, or otherwise dispose of, any shares of Stock during the 180 day period commencing on the effective date of the registration statement relating to the underwritten public offering of securities. Without limiting the generality of the foregoing provisions of this Section 12.5, if in connection with any underwritten public offering of securities of the Company the managing underwriter of such offering requires that the Company's directors and officers enter into a lock-up agreement containing provisions that are more restrictive than the provisions set forth in the preceding sentence, then (a) each holder of shares of Stock acquired pursuant to the Plan (regardless of whether such person has complied or complies with the provisions of clause (b) below) shall be bound by, and shall be deemed to have agreed to, the same lock-up terms as those to which the Company's directors and officers are required to adhere; and (b) at the request of the Company or such managing underwriter, each such person shall execute and deliver a lock-up agreement in form and substance equivalent to that which is required to be executed by the Company's directors and officers.

12.6 Placement of Legends; Stop Orders; etc. Each share of Stock to be issued pursuant to Awards granted under the Plan may bear a reference to the investment representation made in accordance with Section 12.4 in addition to any other applicable restriction under the Plan, the terms of the Award and to the fact that no registration statement has been filed

with the Securities and Exchange Commission in respect to such shares of Stock. All shares of Stock or other securities delivered under the Plan shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of any stock exchange upon which the Stock is then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any certificates or recorded in connection with book-entry accounts representing the shares to make appropriate reference to such restrictions.

12.7 Uncertificated Shares. To the extent that the Plan provides for issuance of certificates to reflect the transfer of Shares, the transfer of such Shares may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange.

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

13. Reservation of Stock

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

14. Rights of Participants

14.1 Limitation of Rights in Stock. A Participant shall not be deemed for any purpose to be a stockholder of the Company with respect to any of the Shares of Stock subject to an Award, unless and until Shares shall have been issued therefor and delivered to the Participant or his agent. Any Stock to be issued pursuant to Awards granted under the Plan shall be subject to all restrictions upon the transfer thereof which may be now or hereafter imposed by the Certificate of Incorporation and the By-laws of the Company.

14.2 Employment. Nothing contained in the Plan or in any Award Agreement shall confer upon any recipient of an Award any right with respect to the continuation of his or her employment or other association with the Company (or any Affiliate), or interfere in any way with the right of the Company (or any Affiliate), subject to the terms of any separate employment or consulting agreement or provision of law or corporate articles or by-laws to the contrary, at any time to terminate such employment or consulting agreement or to increase or decrease, or otherwise adjust, the other terms and conditions of the recipient's employment or other association with the Company and its Affiliates.

14.3 Participation. No Participant or other Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants or holders or beneficiaries of Awards. The terms and conditions of Awards and the Committee's determinations and interpretations with respect thereto need not be the same with respect to each Participant and may be made selectively among Participants, whether or not such Participants are similarly situated.

15. Unfunded Status of Plan

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

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

16. Successors

All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

17. Amendment, Modification, Suspension, and Termination

Subject to Section 8, the Board may, at any time and from time to time, alter, amend, modify, suspend, or terminate the Plan and any Award Agreement in whole or in part; provided, however, that no amendment of the Plan shall be made without stockholder approval if stockholder approval is required by law, regulation, or stock exchange rule. Unless the Board otherwise expressly provides, no amendment of the Plan shall affect the terms of any Award outstanding on the date of such amendment. The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, provided that the Award as amended is consistent with the terms of the Plan or if necessary or advisable for the purpose of conforming the Plan or an Award Agreement to any present or future law relating to plans of this or similar nature (including, without limitation, Section 409A and Section 162(m) of the Code), and to the administrative regulations and rulings promulgated thereunder.

Notwithstanding the foregoing,

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

(b) no Option or Stock Appreciation Right shall be repriced, replaced, or regranted through cancellation, or by lowering the Option Price for a previously granted Option or the grant price of a previously granted SAR, and no Award shall be canceled in exchange for a cash payment from the Company to the Award owner, except under the limited circumstances described above in Section 8.2 relating to Cancellation and Termination of Awards; and

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

18. General Provisions

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

18.2 Notices and Other Communications

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

(b) Electronic Delivery. The Company may deliver by e-mail or other electronic means (including posting on a website maintained by the Company or by a third party under contract with the Company all documents relating to the Plan or any Award and all other documents that the Company is required to deliver to its security holders (including prospectuses, annual reports and proxy statements).

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

18.4 Choice of Law; Choice of Forum. The Plan, all Awards and all determinations made and actions taken under the Plan, to the extent not otherwise governed by the laws of the United States, will be governed by the laws of the State of Delaware without giving effect to principles of conflicts of law. For purposes of litigating any dispute that arises under this Plan, a Participant's acceptance of an Award is his or her consent to the jurisdiction of the State of Delaware, and agreement that any such litigation will be conducted in Delaware Court of Chancery, or the federal courts for the United States for the District of Delaware, and no other courts, regardless of where a Participant's services are performed.

18.5 Forfeiture and Clawback. Without limiting in any way the generality of the Committee's power to specify any terms and conditions of an Award consistent with law, and for greater clarity, the Committee may specify in an Award Agreement that the Participant's rights, payments and benefits with respect to an Award, including any payment of Shares received upon exercise or in satisfaction of an Award under the Plan shall be subject to reduction, cancellation, forfeiture or clawback upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions, without limit as to time. Such events shall include, but not be limited to, failure to accept the terms of the Award Agreement, termination of service under certain or all circumstances, violation of material Company policies, misstatement of financial or other material information about the Company, fraud, misconduct, breach of noncompetition, confidentiality, nonsolicitation, noninterference, corporate property protection, or other agreements that may apply to the Participant, or other conduct by the Participant that the Committee determines is detrimental to the business or reputation of the Company and its Subsidiaries, including facts and circumstances discovered after termination of service. Without limiting the foregoing, the terms of any Award shall be subject to, and shall be deemed automatically to incorporate, any "clawback", "recovery," or similar policy adopted by the Company and in effect before or after the grant of such Award.

18.6 Tolling. If exercising an Option or Stock Appreciation Right prior to its expiration is not permitted because of applicable laws, other than the rules of any stock exchange or quotation system on which the Stock is listed or quoted, the Option or Stock Appreciation Right will remain exercisable until 30 days after the first date on which exercise would no longer be prevented by such provisions. If this would result in the Option or Stock Appreciation Right remaining exercisable past the end of its original Option Period, then it will remain exercisable only until the end of the later of (x) the first day on which its exercise would not be prevented by applicable laws and (y) the last day of the Option Period.

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

Form 10-K

(Mark One)

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

For the fiscal year ended June 30, 2017
or

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

Commission File Number 001-33278

AVIAT NETWORKS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**20-5961564**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
860 N. McCarthy Blvd., Suite 200, Milpitas, California	**95035**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (408) 941-7100
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share Preferred Shares Purchase Rights	NASDAQ Stock Market LLC (NASDAQ Global Select Market)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of December 30, 2016, the aggregate market value of the registrant's common stock held by non-affiliates was approximately $46.0 million. For purposes of this calculation, the registrant has assumed that its directors, executive officers and holders of 5% or more of the outstanding common stock are affiliates.

As of August 17, 2017, there was 5,317,957 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended June 30, 2017, are incorporated by reference into Part III of this Annual Report on Form 10-K.

AVIAT NETWORKS, INC.

ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended June 30, 2017

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

These forward-looking statements are based on estimates reflecting the current beliefs of the senior management of Aviat Networks. These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Forward-looking statements should therefore be considered in light of various important factors, including those set forth in this Annual Report on Form 10-K. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include, but are not limited to, the following:

- *continued price and margin erosion as a result of increased competition in the microwave transmission industry;*
- *the impact of the volume, timing and customer, product and geographic mix of our product orders;*
- *our ability to meet financial covenant requirements which could impact, among other things, our liquidity;*
- *the timing of our receipt of payment for products or services from our customers;*
- *our ability to meet projected new product development dates or anticipated cost reductions of new products;*
- *our suppliers' inability to perform and deliver on time as a result of their financial condition, component shortages or other supply chain constraints;*
- *customer acceptance of new products;*
- *the ability of our subcontractors to timely perform;*
- *continued weakness in the global economy affecting customer spending;*
- *retention of our key personnel;*
- *our ability to manage and maintain key customer relationships;*
- *uncertain economic conditions in the telecommunications sector combined with operator and supplier consolidation;*
- *our failure to protect our intellectual property rights or defend against intellectual property infringement claims by others;*
- *the results of our restructuring efforts;*
- *the ability to preserve and use our net operating loss carryforwards;*
- *the effects of currency and interest rate risks;*
- *the conduct of unethical business practices in developing countries; and*
- *the impact of political turmoil in countries where we have significant business.*

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

You should not place undue reliance on these forward-looking statements, which reflect our management's opinions only as of the date of the filing of this Annual Report on Form 10-K. Forward-looking statements are made in reliance upon the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, along with provisions of the Private Securities Litigation Reform Act of 1995, and we

undertake no obligation, other than as imposed by law, to update any forward-looking statements to reflect further developments or information obtained after the date of filing of this Annual Report on Form 10-K or, in the case of any document incorporated by reference, the date of that document.

PART I

Item 1. *Business*

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

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

Our principal executive offices are located at 860 North McCarthy Boulevard, Suite 200, Milpitas, California 95035, and our telephone number is (408) 941-7100. Our common stock is listed on the NASDAQ Global Select Market under the symbol AVNW. As of June 30, 2017, we employed approximately 710 people, compared with approximately 720 people as of July 1, 2016.

Overview and Description of the Business

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

Our products utilize microwave and millimeter wave technologies to create point to point wireless links for short, medium and long distance interconnections. Our products incorporate Ethernet switching and IP routing capabilities to form complete networking solutions. We also provide network management software tools to enable our customers to deploy, monitor and manage our systems; third party equipment such as antennas, routers, optical transmission equipment and other equipment necessary to build and deploy a complete telecommunications transmission network. We provide a full suite of professional services for planning, deployment, operations and maintenance of our customers' networks.

Our wireless systems deliver urban, suburban, regional and country-wide communications links as the primary alternative to fiber optic connections. In dense urban and suburban areas, short range wireless solutions are faster to deploy and lower cost per mile than new fiber deployments. In developing nations, fiber infrastructure is scarce and wireless systems are used for both long and short distance connections. Wireless systems also have advantages over optical fiber in areas with rugged terrain, and to provide connections over bodies of water such as between islands or even oil and gas production platforms.

Revenue from our North America and international regions represented approximately 55% and 45%, respectively, of our revenue in fiscal 2017, 47% and 53%, respectively, of our revenue in fiscal 2016, and 46% and 54%, respectively, of our revenue in fiscal 2015. Information about our revenue attributable to our geographic regions is set forth in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and in "Note 9. Segment and Geographic Information" of the accompanying consolidated financial statements in this Annual Report on Form 10-K.

Market Overview

We believe that future demand for microwave and millimeter wave transmission systems will be influenced by a number of factors across several market segments.

Mobile Networks

As mobile networks expand, add subscribers and increase the number of wirelessly connected devices, sensors and machines, they require investment in backhaul infrastructure. Whether mobile network operators choose to self-build this backhaul infrastructure or lease backhaul services from other network providers, the evolution of the network drives demand for transmission technologies such as microwave and millimeter wave wireless backhaul. Within this overall scope there are multiple individual drivers for investment in backhaul infrastructure.

- *New RAN Technologies.* Mobile Radio Access Network ("RAN") technologies are continually evolving. With evolution from 2G to 3G (HSPA), 4G (HSPA+ and LTE), and next 5G standards, technology is

rapidly advancing and providing subscribers with higher speed access to the Internet, social media, and video streaming services. The rapid increases in data to be transported through the RAN and across the backhaul infrastructure drives requirements for higher data transport links necessitating upgrades to or replacement of the existing backhaul infrastructure.

- *Subscriber Growth.* Traffic on the backhaul infrastructure increases as the number of unique subscribers grows.
- *Connected Devices.* The number of devices such as smart phones and tablets connected to the mobile network is far greater than the number of unique subscribers and is continuing to grow as consumers adopt multiple mobile device types. There is also rapid growth in the number and type of wireless enabled sensors and machines being connected to the mobile network creating new revenue streams for network operators in healthcare, agriculture, transportation and education. As a result, the data traffic crossing the backhaul infrastructure continues to grow rapidly.
- *IoT*. The Internet of Things ("IoT") brings the potential of massive deployment of wireless end points for sensing and reporting data and remotely controlling machines and devices. The increase of data volume drives investment in network infrastructure.
- *RAN Capacity.* RAN frequency spectrum is a limited resource and shared between all of the devices and users within the coverage area of each base station. Meeting the combined demand of increasing subscribers and devices will require the deployment of much higher densities of base stations with smaller and smaller range (small cells) each requiring backhaul.
- *Geographic Coverage.* Expanding the geographic area covered by a mobile network requires the deployment of additional Cellular Base Station sites. Each additional base station site also needs to be connected to the core of the mobile network through expansion of the backhaul system.
- *License Mandates*. Mobile Operators are licensed telecommunications service providers. Licenses will typically mandate a minimum geographic footprint within a specific period of time and/or a minimum proportion of a national or regional population served. This can pace backhaul infrastructure investment and cause periodic spikes in demand.
- *Evolution to IP*. Network Infrastructure capacity, efficiency and flexibility is greatly enhanced by transitioning from legacy SDH (synchronous digital hierarchy) / SONET (synchronous optical network) / TDM (time division multiplexing) to IP (internet protocol) infrastructure. Our products offer integrated IP transport and routing functionality increasing the value they bring in the backhaul network.
- *Expansion of Offered Services.* Mobile network operators especially in emerging markets now own and operate the most modern communications networks within their respective regions. These network assets can be further leveraged to provide high speed broadband services to fixed locations such as small, medium and large business enterprises, airports, hotels, hospitals, and educational institutions. Microwave and millimeter wave backhaul is ideally suited to providing high speed broadband connections to these end points due to the lack of fiber infrastructure.

Other Vertical Markets

In addition to mobile backhaul, we see demand for microwave technology in other vertical markets, including utility, public safety, financial institutions and broadcast.

- Many utility companies around the world are actively investing in Smart Grid solutions and energy demand management, which drive the need for network modernization and increased capacity of networks.
- The investments in network modernization in the public safety market can significantly enhance the capabilities of security agencies. Improving border patrol effectiveness, enabling inter-operable emergency communications services for local or state police, providing access to timely information from centralized databases, or utilizing video and imaging devices at the scene of an incident requires a high bandwidth and reliable network. The mission critical nature of Public Safety and National security networks can require that these networks are built, operated and maintained independently of other public network infrastructure and microwave is very well suited to this environment because it is a cost-effective alternative to fiber.
- Microwave technology can be used to engineer long distance and more direct connections than Optical Cable. Microwave signals also travel through the air much faster than light through glass and the combined effect of shorter distance and higher speed reduces latency, which is valued for trading applications in the financial industry. Our products have already been used to create low latency connections between major centers in the United States ("U.S."), Europe and Asia and we see long-term interest in the creation of further low latency routes in various geographies around the world.

- The enhancement of Border Security and Surveillance networks to counter terrorism and insurgency is aided by the use of wireless technologies including microwave backhaul.

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

Strategy

Over the past year, we focused on building a sustainably profitable business with future growth potential. We have invested in our people and processes to create a platform for operational excellence across sales, services, product development and supply chain areas while continuing to make investments in strengthening our product and services portfolio and expanding our reach into targeted market areas.

Our technology strategy has three main elements aligned to deliver a compelling Total Cost of Ownership (“TCO”) value proposition. The first is the integration of network routing functions into our wireless transport solution allowing our customers increased flexibility with a much better Total Cost. Second, we are expanding the data carrying capacity of our wireless products to address the increasing data demand in networks of all types. Third, in order to address the operational complexity of planning, deploying, owning and operating microwave networks, we are investing in a combination of software applications and services where our expertise can make a significant difference for our customers and partners.

We continued to develop our professional services portfolio as a key to our long-term strategy and differentiation. During the year, we continued to expand the number of customer networks managed from our North America Network Operations Center. We began offering cloud based network management to our customers and we continue to offer training and accreditation programs for microwave and IP network design, deployment and maintenance.

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

We expect to continue to serve and expand upon our existing customer base and develop business with new customers. We intend to leverage our customer base, our longstanding presence in many countries, our distribution channels, our comprehensive product line, our superior customer service and our turnkey solution capability to continue to sell existing and new products and services to current and future customers.

Products and Solutions

Our strong product and solutions portfolio is key to building and maintaining our marquee base of customers. We offer a comprehensive product and solutions portfolio that meets the needs of service providers and network operators in every region of the world and addresses a broad range of applications, frequencies, capacities and network topologies.

- *Broad product and solution portfolio.* We offer a comprehensive suite of wireless transmission networking systems for microwave and millimeter wave networking applications. Our solution consists of tailored offerings of our own wireless products and our own integrated ancillary equipment or that of other manufacturers and providers of element and network management systems and professional services. These solutions address a wide range of transmission frequencies, ranging from 2.4 GHz to 90 GHz, and a wide range of transmission capacities, ranging up to over 10 Gbps. The major product families included in these solutions are CTR 8000, WTM 4000 and AviatCloud. Our CTR 8000 platform merges the functionality of an indoor microwave modem unit and a cell site router into a single integrated solution, simplifying IP/MPLS deployments and creating a better performing network. The newest addition to our product portfolio is the WTM 4000, the highest capacity microwave radio ever produced and purpose built for SDN. To address the issues of operational complexity in our customers’ networks, AviatCloud is an app-based platform to automate and virtualize networks and their operations.

- *Low total cost of ownership.* Our wireless-based solutions are focused on low total cost of ownership, including savings on the combined costs of initial acquisition, installation and ongoing operation and maintenance. Our latest generation system designs reduce rack space requirements, require less power, are software-configurable to reduce spare parts requirements, and are simple to install, operate, upgrade and maintain. Our advanced wireless features can also enable operators to save on related costs, including spectrum fees and tower rental fees.
- *Futureproof network.* Our solutions are designed to protect the network operator's investment by incorporating software-configurable capacity upgrades and plug-in modules that provide a smooth migration path to Carrier Ethernet and IP/MPLS (multiprotocol label switching)-based networking, without the need for costly equipment substitutions and additions. Our products include key technologies we believe will be needed by operators for their network evolution to support new broadband services.
- *Flexible, easily configurable products.* We use flexible architectures with a high level of software configurable features. This design approach produces high-performance products with reusable components while at the same time allowing for a manufacturing strategy with a high degree of flexibility, improved cost and reduced time-to-market. The software features of our products offer our customers a greater degree of flexibility in installing, operating and maintaining their networks.
- *Comprehensive network management.* We offer a range of flexible network management solutions, from element management to enterprise-wide network management and service assurance that we can optimize to work with our wireless systems.
- *Complete professional services.* In addition to our product offerings, we provide network planning and design, site surveys and builds, systems integration, installation, maintenance, network monitoring, training, customer service and many other professional services. Our services cover the entire evaluation, purchase, deployment and operational cycle and enable us to be one of the few complete turnkey solution providers in the industry.

Business Operations

Sales and Service

Our primary route to market is through our own direct sales, service and support organization. This provides us with the best opportunity to leverage our role as a technology specialist and differentiate ourselves from competitors. Our focus on key customers and geographies allows us to consistently achieve high customer satisfaction ratings leading to a high level of customer retention and repeat business. Our highest concentrations of Sales and Service resources are in the United States, Western and Southern Africa, the Philippines, and the European Union. We maintain a presence in a number of other countries, some of which are based on customer locations and include, but not limited to, Canada, Mexico, Kenya, India, Saudi Arabia, Australia, New Zealand, and Singapore.

In addition to our direct channel to market, we also have informal, and in some cases formal, relationships with original equipment manufacturers ("OEMs") and system integrators especially towards large and complex projects in National Security and Government related applications. Our role in these relationships ranges from equipment supply only to being a sub-contractor for a portion of the project scope where we will supply equipment and a variety of design, deployment and maintenance services.

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

We have repair and service centers in India, Nigeria, Ghana, Mexico, the Philippines, the United Kingdom and the United States. We have customer service and support personnel who provide customers with training, installation, technical support, maintenance and other services on systems under contract. We install and maintain customer equipment directly in some cases and contract with third-party service providers in other cases, depending on the equipment being installed and customer requirements.

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

Manufacturing

Our global manufacturing strategy follows an outsourced manufacturing model using contract manufacturing partners in both the United States and Asia. Our strategy is based on balancing cost and supplier performance as well as taking into account qualification for localization requirements of certain market segments such as the Buy America statute.

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

Backlog

Our backlog by geographic region is as follows:

(In thousands)	June 30, 2017	July 1, 2016
North America	$ 102,971	$ 97,360
International	56,775	56,271
Total backlog	$ 159,746	$ 153,631

Our backlog consists primarily of contracts or purchase orders for both product and service deliveries and extended service warranties. Services include management's initial estimate of the value of a customer's commitment under a services contract. The calculation used by management involves estimates and judgments to gauge the extent of a customer's commitment, including the type and duration of the agreement, and the presence of termination charges or wind down costs. Contract extensions and increases in scope are treated as backlog only to the extent of the incremental new value. We regularly review our backlog to ensure that our customers continue to honor their purchase commitments and have the financial means to purchase and deploy our products and services in accordance with the terms of their purchase contracts. Backlog estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidations, adjustments for revenue not materialized and adjustments for currency.

We expect to substantially fill the backlog as of June 30, 2017 during fiscal 2018, but we cannot be assured that this will occur. Product orders in our current backlog are subject to changes in delivery schedules or to cancellation at the option of the purchaser without significant penalty. Accordingly, although useful for scheduling production, backlog as of any particular date may not be a reliable measure of sales for any future period because of the timing of orders, delivery intervals, customer and product mix and the possibility of changes in delivery schedules and additions or cancellations of orders. The backlog figures exclude advance payments and unearned income amounts.

Customers

Although we have a large customer base, during any given fiscal year or quarter, a small number of customers may account for a significant portion of our revenue.

During fiscal 2017, Mobile Telephone Networks Group ("MTN Group") in Africa accounted for 14% of our total revenue compared with 18% in fiscal 2016 and 14% in fiscal 2015. We have entered into separate and distinct contracts with MTN Group as well as separate arrangements with MTN Group subsidiaries. The loss of all or a substantial portion of MTN Group's business could adversely affect our results of operations, cash flows and financial position.

Competition

The microwave and millimeter wave wireless networking business is a specialized segment of the telecommunications industry that is sensitive to technological advancements and is extremely competitive. Our principal competitors include business units of large mobile and IP network infrastructure manufacturers such as Ericsson, Huawei, NEC and Nokia, as well as a number of smaller microwave specialist companies such as Ceragon and SIAE Microelectronica.

Some of our larger competitors may have greater name recognition, broader product lines (some including non-wireless telecommunications equipment and managed services), a larger installed base of products and longer-standing customer relationships. They may from time to time leverage their extensive overall portfolios into completely outsourced and managed network offerings restricting opportunities for specialist suppliers. In addition, some competitors may offer seller financing, which can be a competitive advantage under certain economic climates.

Some of our larger competitors may also act as systems integrators through which we sometimes distribute and sell products and services to end users.

The smaller independent private and public specialist competitors typically leverage new technologies and low products costs, but are generally less capable of offering a complete solution including professional services, especially in the North America and Africa regions which form the majority of our addressed market.

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

Research and Development

We believe that our ability to enhance our current products, develop and introduce new products on a timely basis, maintain technological competitiveness and meet customer requirements is essential to our success. Accordingly, we allocate, and intend to continue to allocate, a significant portion of our resources to research and development efforts in key technology areas and innovation to differentiate our overall portfolio from our competition. The majority of such research and development resources will be focused on technologies in microwave and millimeter wave RF, digital single processing, networking protocols and software applications.

Our research and development expenditures totaled $18.7 million, or 7.7% of revenue, in fiscal 2017, $20.8 million, or 7.7% of revenue, in fiscal 2016, and $25.4 million, or 7.6% of revenue, in fiscal 2015.

Research and development are primarily directed to the development of new products and to building technological capability. We are an industry innovator and intend to continue to focus significant resources on product development in an effort to maintain our competitiveness and support our entry into new markets.

Our product development teams numbered 142 employees as of June 30, 2017, and were located in the United States, New Zealand, Slovenia and Canada.

Raw Materials and Supplies

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

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

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

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

Patents and Other Intellectual Property

We consider our patents and other intellectual property rights, in the aggregate, to constitute an important asset. We own a portfolio of patents, trade secrets, know-how, confidential information, trademarks, copyrights and other intellectual property. We also license intellectual property to and from third parties. As of June 30, 2017, we held 173 U.S. patents and 82 international patents and had 20 U.S. patent applications pending and 44 international patent applications pending. We do not consider our business to be materially dependent upon any single patent, license or other intellectual property right, or any group of related patents, licenses or other intellectual property rights. From time to time, we might engage in litigation to enforce our patents and other intellectual property or defend against claims of alleged infringement. Any of our patents, trade secrets, trademarks, copyrights and other proprietary rights could be challenged, invalidated or circumvented, or may not provide competitive advantages. Numerous trademarks used on or in connection with our products are also considered to be valuable assets.

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

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

Environmental and Other Regulations

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

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

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

We have a comprehensive policy and procedures in effect concerning conflict minerals compliance.

Employees

As of June 30, 2017, we employed approximately 710 people, compared with approximately 720 as of the end of fiscal 2016 and approximately 780 as of the end of fiscal 2015. Approximately 270 of our employees are located in the U.S. We also utilized approximately 59 and 70 independent contractors as of June 30, 2017 and July 1, 2016, respectively. None of our employees in the U.S. are represented by a labor union. In certain international subsidiaries, our employees are represented by workers' councils or statutory labor unions. In general, we believe that our employee relations are good.

Executive Officers of the Registrant

The name, age, position held with us, and principal occupation and employment during at least the past 5 years for each of our executive officers as of September 6, 2017, are as follows:

Name and Age	Position Currently Held and Past Business Experience
Michael A. Pangia, 56	Mr. Pangia has been our President and Chief Executive Officer and a member of our board of directors (the "Board") since July 18, 2011. From March 2009 to July 2011, he served as our Chief Sales Officer responsible for company-wide operations of the global sales and services organization. Prior to joining Aviat Networks, from 2008 to 2009, Mr. Pangia served as Senior Vice President, global sales operations and strategy at Nortel, where he was responsible for all operational aspects of the global sales function. From 2006 to 2008, he was President of Nortel's Asia region where his key responsibilities included sales and overall business management for all countries where Nortel did business in the region.
Ralph Marimon, 60	Mr. Marimon joined Aviat Networks in May 2015 as our Senior Vice President, Finance and Chief Financial Officer and is responsible for the finance and IT organizations. Before joining Aviat, Mr. Marimon served as Vice President, Finance and Chief Financial Officer of QuickLogic, a provider of ultra-low power, customizable semiconductor solutions for smartphone, tablet, wearable, and mobile enterprise OEMs, since 2008. Prior to QuickLogic, Mr. Marimon served as Chief Financial Officer within a variety of organizations including Anchor Bay Technologies, Inc., Tymphany Corporation, and Scientific Technologies Incorporated. From 1999 to 2003, he served at Com21 Corporation as Chief Financial Officer. Prior to Com21, Mr. Marimon was at KLA-Tencor Corporation for 11 years in a variety of senior executive financial management positions.
Meena Elliott, 54	Ms. Elliott was appointed Senior Vice President, Chief Legal and Administrative Officer, Corporate Secretary in February 2015 and is responsible for the global legal and human resources organizations. From September 2011 to February 2015, she served as Senior Vice President, General Counsel, Secretary and had responsibilities for the global legal organization and took on responsibilities for global human resources organizations in 2014. From July 2009 to August 2011, she served as Vice President, General Counsel and Secretary. She joined our company as Associate General Counsel and Assistant Secretary in January 2007 when Harris Corporation's MCD and Stratex Networks merged. Ms. Elliott joined MCD as Division Counsel in March 2006. Prior to joining MCD, she was Chief Counsel at the Department of Commerce from 2002 to 2006.
Heinz H. Stumpe, 62	Mr. Stumpe was appointed Chief Sales Officer on June 25, 2012. Before his appointment as Chief Sales Officer, Mr. Stumpe was our Senior Vice President and Chief Operation Officer since June 30, 2008. Previously, he was Vice President, Global Operations for Aviat Networks and Stratex Networks. He joined Stratex Networks as Director of Marketing in 1996. He was promoted to Vice President, Global Accounts in 1999, Vice President, Strategic Accounts in 2002 and Vice President, Global Operations in April 2006.
Shaun McFall, 57.	Mr. McFall was appointed Chief Strategy Officer in 2015. He was our Chief Marketing Officer since July 2008. Previously, from 2000 to 2008, he served as Vice President, Marketing for Aviat Networks and Stratex Networks. He has been with us since 1989.

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

Web site Access to Aviat Networks' Reports; Available Information

We maintain an Internet Web site at http://www.aviatnetworks.com. Our annual reports on Form 10-K, proxy statements, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") are available free of charge on our Web site as soon as reasonably practicable after these reports are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). Our website and the information posted thereon are not incorporated into this Annual Report on Form 10-K or any current or other periodic report that we file or furnish to the SEC.

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

Additional information relating to our business and operations is set forth in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K.

Item 1A. *Risk Factors*

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

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

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

As measured under U.S. generally accepted accounting principles ("U.S. GAAP"), we incurred net losses attributable to our stockholders of $0.8 million in fiscal 2017, $29.9 million in fiscal 2016 and $24.6 million in fiscal 2015 and have been unprofitable since we became a public company in January 2007. We also have incurred losses from operations in all fiscal years since we became a public company, although we generated cash from operations in fiscal 2017, 2016, 2013, 2012, 2010 and 2009.

Throughout fiscal 2017, we experienced strong price competition for new business in all regions while major customer consolidations from prior years also put pressure on revenue and gross margin. In addition, we saw pricing pressures in all markets, particularly in international markets. Customer consolidation may have an increasing negative impact on our revenue if Aviat is not selected as a vendor for the products and/or services we provide. In order to counter pricing pressures, we invested heavily in product improvements to reduce unit costs and enhance product features, decreased overall company expenses, and worked with our vendors to attain more favorable pricing. If we are unable to reduce product unit costs associated with enhanced product features, including payments to contract manufacturers and other suppliers, or achieve the projected cost reductions, we may not achieve profitability.

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

Our sales cycle may be lengthy, and the timing of sales, along with additional services such as warehousing, inventory management, installation and implementation of our products within our customers' networks, may extend over more than one period, which can make our operating results difficult to predict.

We anticipate difficulty in accurately predicting the timing of the sale of products and amounts of revenue generated from sales of our products, primarily in developing countries. The establishment of a business relationship with a potential customer is a lengthy process, generally taking several months and sometimes longer. Following the establishment of the relationship, the negotiation of purchase terms can be time-consuming, and a potential customer may require an extended evaluation and testing period. We expect that our product sales cycle, which results in our products being designed into our customers' networks, could take 12 to 24 months. A number of factors can contribute to the length of the sales cycle, including technical evaluations of our products, the design process required to integrate our products into our customers' networks and warehousing and/or inventory management services that may be requested by certain large customers. In anticipation of product orders, we may incur substantial costs before the sales cycle is complete and before we receive any customer payments. Specifically, should a customer require warehousing and/or inventory management services, such services may impact our operating results in any period due to the costs associated with providing such services and the fact that the timing of the revenue recognition may be delayed. As a result, in the event that a sale is not completed or is canceled or delayed, we may have incurred substantial expenses, making it more difficult for us to become profitable or otherwise negatively impacting our financial results. Furthermore, because of our lengthy sales cycle, our recognition of revenue from our selling efforts may be substantially delayed, our ability to forecast our future revenue may be more limited and our revenue may fluctuate significantly from quarter to quarter.

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

Our average sales prices may decline in the future.

We are experiencing, and are likely to continue to experience, declining sales prices. This price pressure is likely to result in downward pricing pressure on our products and services. As a result, we are likely to experience declining average sales prices for our products. Our future profitability will depend upon our ability to improve manufacturing efficiencies, reduce costs of materials used in our products and to continue to introduce new lower-cost products and product enhancements and if we are unable to do so, we may not be able to respond to pricing pressures. If we are unable to respond to increased price competition, our business, financial condition and results of operations will be harmed. Because customers frequently negotiate supply arrangements far in advance of delivery dates, we may be required to commit to price reductions for our products before we are aware of how, or if, cost reductions can be obtained. As a result, current or future price reduction commitments and any inability on our part to respond to increased price competition could harm our business, financial condition and results of operations.

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

A substantial portion of our sales are to customers in the telecommunications industry. These customers may require their suppliers to provide extended payment terms, direct loans or other forms of financial support as a condition to obtaining commercial contracts. In addition, if local currencies cannot be hedged, we have an inherent exposure in our ability to convert monies at favorable rates from or to U.S. dollars. More generally, we expect to routinely enter into long-term contracts involving significant amounts to be paid by our customers over time. Pursuant to these contracts, we may deliver products and services representing an important portion of the contract price before receiving any significant payment from the customer. As a result of the financing that may be provided to customers and our commercial risk exposure under long-term contracts, our business could be adversely affected if the financial condition of our customers erodes. Over the past few years, certain of our customers have filed with the courts seeking protection under the bankruptcy or reorganization laws of the applicable jurisdiction, or have experienced financial difficulties. The financial healthiness may be exacerbated in many emerging markets, where our customers are being affected not only by recession, but by deteriorating local currencies and a lack of credit. Upon the financial failure of a customer, we may experience losses on credit extended to such customer, losses relating to our commercial risk exposure and the loss of the customer's ongoing business. If customers fail to meet their obligations to us, we may experience reduced cash flows and losses in excess of reserves, which could materially adversely impact our results of operations and financial position.

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

We are highly dependent on sales to customers outside the U.S. In each of fiscal 2017, 2016 and 2015, our sales to international customers accounted for 47%, 55% and 55%, respectively, of total revenue. Significant portions of our international sales are in less developed countries. Our international sales are likely to continue to account for a large percentage of our products and services revenue for the foreseeable future. As a result, the occurrence of any international, political, economic or geographic event could result in a significant decline in revenue. In addition, compliance with complex foreign and U.S. laws and regulations that apply to our international operations increases our cost of doing business in international jurisdictions. These numerous and sometimes conflicting laws and regulations include internal control and disclosure rules, data privacy and filtering requirements, anti-corruption laws, such as the Foreign Corrupt Practices Act, and other local laws prohibiting corrupt payments to governmental officials, and anti-competition regulations, among others. Violations of these laws and regulations could result in fines and penalties, criminal sanctions against us, our officers, or our employees, prohibitions on the conduct of our business and on our ability to offer our products and services in one or more countries, and could also materially affect our brand, our international expansion efforts, our ability to attract and retain employees, our business, and our operating results. Although we have implemented policies and procedures designed to ensure compliance with these laws and regulations, there can be no assurance that our employees, contractors, or agents will not violate our policies.

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

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

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

We may not be able to obtain capital when desired on favorable terms, if at all, or without dilution to our stockholders.

We believe that our existing cash and cash equivalents, the available line of credit under our credit facility and future cash collections from customers will be sufficient to provide for our anticipated requirements for working capital and capital expenditures for the next 12 months and the foreseeable future. However, it is possible that we may not generate sufficient cash flow from operations or otherwise have the capital resources to meet our longer-term capital needs. If this occurs, we may need to sell assets, reduce capital expenditures, or obtain additional equity or debt financing. We cannot assure you that additional financing will be available on terms favorable to us, or at all. If adequate funds are not available or are not available on acceptable terms if and when needed, our business, financial condition and results of operations could be harmed.

If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership of our stockholders could be significantly diluted, and these newly-issued securities may have rights, preferences or privileges senior to those of existing stockholders.

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

We continue to evaluate our business to determine the potential need to realign our resources as we continue to transform our business in order to achieve desired cost savings in an increasingly competitive market. In prior years, we have undertaken a series of steps to restructure our operations involving, among other things and depending on the year, reductions of our workforce, the relocation of our corporate headquarters and the reduction and outsourcing of manufacturing activities. We incurred restructuring charges of $0.6 million, $2.5 million and $4.9 million in fiscal 2017, 2016 and 2015, respectively.

We have based our restructuring efforts on assumptions and plans regarding the appropriate cost structure of our business based on our product mix and projected sales, among other factors. Some of our assumptions include the elimination of jobs and the outsourcing of certain functions to reduce our operating expenses. These assumptions may not be accurate and we may not be able to operate in accordance with our plans. Should this occur we may determine that we must incur additional restructuring charges in the future. Moreover, we cannot assure you that we will realize all of the anticipated benefits of our restructuring actions or that we will not further reduce or otherwise adjust our workforce or exit, or dispose of, certain businesses and product lines. Any decision to further limit investment, exit, or disposal of businesses or product lines may result in the recording of additional restructuring charges. Consequently, the costs actually incurred in connection with the restructuring efforts may be higher than originally planned and may not lead to the anticipated cost savings and/or improved results. For example, if we consolidate additional facilities in the future, we may incur additional restructuring and related expenses, which could have a material adverse effect on our business, financial condition or results of operations.

Our restructuring actions could harm our relationships with our employees and impact our ability to recruit new employees.

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

Our business could be adversely affected if we are unable to attract and retain key personnel.

Our success and ability to invest and grow depend largely on our ability to attract and retain highly skilled technical, professional, managerial, sales and marketing personnel. Historically, competition for these key personnel has been intense. The loss of services of any of our key personnel, the inability to retain and attract qualified personnel in the future, delays in hiring required personnel, particularly engineering and sales personnel, or the loss of key personnel to competitors could make it difficult for us to meet key objectives, such as timely and effective product introductions and financial goals.

Our success will depend on new products introduced to the marketplace in a timely manner, successfully completing product transitioning and achieving customer acceptance.

The market for our products and services is characterized by rapid technological change, evolving industry standards and frequent new product introductions. Our future success will depend, in part, on continuous, timely development and introduction of new products and enhancements that address evolving market requirements and are attractive to customers. If we fail to develop or introduce on a timely basis new products or product enhancements or features that achieve market acceptance, our business may suffer. Additionally, we work closely with a variety of third party partners to develop new product features and new platforms. Should our partners face delays in the development process, then the timing of the rollout of our new products may be significantly impacted which may negatively impact our revenue and gross margin. Another factor impacting our future success is the growth in the customer demand of our new products. Rapidly changing technology, frequent new products introductions and enhancements, short product life cycles and changes in customer requirements characterize the markets for our products. We believe that successful new product introductions provide a significant competitive advantage because of the significant resources committed by customers in adopting new products and their reluctance to change products after these resources have been expended. We have spent, and expect to continue to spend, significant resources on internal research and development to support our effort to develop and introduce new products and enhancements.

As we transition to new product platforms, we face significant risk that the development of our new products may not be accepted by our current customers or by new customers. To the extent that we fail to introduce new and innovative products that are adopted by customers, we could fail to obtain an adequate return on these investments and could lose market share to our competitors, which could be difficult or impossible to regain. Similarly, we may face decreased revenue, gross margins and profitability due to a rapid decline in sales of current products as customers hold spending to focus purchases on new product platforms. We could incur significant costs in completing the transition, including costs of inventory write-downs of the current product as customers transition to new product platforms. In addition, products or technologies developed by others may render our products noncompetitive or obsolete and result in significant reduction in orders from our customers and the loss of existing and prospective customers.

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

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

- seasonality in the purchasing habits of our customers;
- the volume and timing of product orders and the timing of completion of our product deliveries and installations;
- our ability and the ability of our key suppliers to respond to changes on demand as needed;
- margin variability based on geographic and product mix;
- our suppliers' inability to perform and deliver on time as a result of their financial condition, component shortages or other supply chain constraints;
- retention of key personnel;
- the length of our sales cycle;
- litigation costs and expenses;
- continued timely rollout of new product functionality and features;
- increased competition resulting in downward pressure on the price of our products and services;
- unexpected delays in the schedule for shipments of existing products and new generations of the existing platforms;
- failure to realize expected cost improvement throughout our supply chain;
- order cancellations or postponements in product deliveries resulting in delayed revenue recognition;
- restructuring and streamlining of our operations;
- war and acts of terrorism;
- natural disasters;
- the ability of our customers to obtain financing to enable their purchase of our products;
- fluctuations in international currency exchange rates;
- regulatory developments including denial of export and import licenses;
- general economic conditions worldwide that affect demand and financing for microwave and millimeter wave telecommunications networks; and
- the timing and size of future restructuring plans and write-offs.

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

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

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

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

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

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

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

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

During fiscal 2017, 2016 and 2015, we recorded charges to reduce the carrying value of our inventory which totaled $1.1 million, $9.9 million and $8.0 million, respectively. Such charges equaled 0.5%, 3.7% and 2.4% of our revenue in fiscal 2017, 2016 and 2015, respectively. These charges were primarily due to excess and obsolete inventory resulting from lower forecast, product transitioning or discontinuance.

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

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

Further, our inventory of finished products may accumulate as the result of inaccuracies in the forecasting process, cancellation of customer orders or our customers’ refusal to confirm the acceptance of our products. Our forecasting process is based on information discussed with customers concerning future orders. If a customer chooses to revise or

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

The effects of the poor global financial and economic conditions in certain markets has had, and may continue to have, significant effects on our customers and suppliers, and has in the past, and may in the future have, a material adverse effect on our business, operating results, financial condition and stock price.

The effects of poor global financial and economic conditions in certain markets include, among other things, significant reductions in available capital and liquidity from banks and other providers of credit, substantial reductions and/or fluctuations in equity and currency values worldwide.

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

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

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

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

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

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

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

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

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

As a result of changes in tax laws, treaties, rulings, regulations or agreements, or their interpretation, of any country in which we operate, the loss of a major tax dispute or a successful challenge to our operating structure, intercompany pricing policies or the taxable presence of our key subsidiaries in certain countries, or other factors, our effective tax rate could be highly volatile and could adversely affect our operating results.

We operate in multiple jurisdictions and our profits are taxed pursuant to the tax laws of these jurisdictions. Our future effective tax rate may be adversely affected by a number of factors, many of which are outside of our control, including:

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

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

Our ability to use net operating loss carryforwards to offset future taxable income for U.S. federal income tax purposes and other tax benefits may be limited.

Section 382 of the Internal Revenue Code of 1986, as amended (the "Code") imposes an annual limitation on the amount of taxable income that may be offset if a corporation experiences an "ownership change" as defined in Section 382 of the Code. An ownership change occurs when a company's "five-percent shareholders" (as defined in Section 382 of the Code) collectively increase their ownership in the company by more than 50 percentage points (by value) over a rolling three-year period. Additionally, various states have similar limitations on the use of state net operating losses ("NOL") following an ownership change.

If we experience an ownership change, our ability to use our NOLs, any loss or deducting attributable to a "net unrealized built-in loss" and other tax attributes (collectively, the "Tax Benefits") could be substantially limited, and the timing of the usage of the Tax Benefits could be substantially delayed, which could significantly impair the value of the Tax Benefits. There is no assurance that we will be able to fully utilize the Tax Benefits and we could be required to record an additional valuation allowance related to the amount of the Tax Benefits that may not be realized, which could adversely impact our result of operations.

We believe that these Tax Benefits are a valuable asset for us. On September 6, 2016, the Board approved a Tax Benefit Preservation Plan (the "Plan") in an effort to protect our Tax Benefits during the effective period of the Plan. Further, on September 6, 2016, the Board adopted certain amendments to our Amended and Restated Certificate of Incorporation, as amended (the "Charter Amendments"), which are intended to preserve the Tax Benefits by restricting certain transfers of our common stock. The Plan and the Charter Amendments were approved by our stockholders at our 2016 annual meeting of stockholders on November 16, 2016. Although the Plan and the Charter Amendments are intended to reduce the likelihood of an "ownership change" that could adversely affect us, there is no assurance that the restrictions on transferability in the Plan and the Charter Amendments will prevent all transfers that could result in such an "ownership change." There also can be no assurance that the transfer restrictions in the Charter Amendments will be enforceable against all of our stockholders absent a court determination confirming such enforceability. The transfer restrictions may be subject to challenge on legal or equitable grounds.

The Plan and the Charter Amendments could make it more difficult for a third party to acquire, or could discourage a third party from acquiring, us or a large block of our common stock. A third party that acquires 4.9% or more of our common stock could suffer substantial dilution of its ownership interest under the terms of the Plan through the issuance of common stock or common stock equivalents to all stockholders other than the acquiring person. The acquisition may also be void under the Charter Amendments.

The foregoing provisions may adversely affect the marketability of our common stock by discouraging potential investors from acquiring our stock. In addition, these provisions could delay or frustrate the removal of incumbent directors and could make more difficult a merger, tender offer or proxy contest involving us, or impede an attempt to acquire a significant or controlling interest in us, even if such events might be beneficial to us and our stockholders.

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

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

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

Sales of our products and services historically have been concentrated in a small number of customers. Principal customers for our products and services include domestic and international wireless/mobile service providers, OEMs, as well as private network users such as public safety agencies; government institutions; and utility, pipeline, railroad and other industrial enterprises that operate broadband wireless networks. During fiscal 2017, 2016 and 2015, we had one customer in Africa, MTN Group that accounted for 14%, 18% and 14%, respectively, of our total revenue. Although we have a large customer base, during any given quarter a small number of customers may account for a significant portion of our revenue.

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

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

The telecommunications industry has experienced significant consolidation among its participants, and we expect this trend to continue. Some operators in this industry have experienced financial difficulty and have filed, or may file, for bankruptcy protection. Other operators may merge and one or more of our competitors may supply products to the customers of the combined company following those mergers. This consolidation could result in purchasing decision delays and decreased opportunities for us to supply products to companies following any consolidation. This consolidation may also result in lost opportunities for cost reduction and economies of scale.

We continually evaluate strategic transaction opportunities which could involve merger, restructuring, divestiture, sale and/or acquisition activities that could disrupt our operations and harm our operating results.

Our growth depends upon market growth, our ability to enhance our existing products and our ability to introduce new products on a timely basis. We intend to continue to address the need to develop new products and enhance existing products through acquisitions, or "tuck-ins," product lines, technologies, and personnel. Strategic transactions involve numerous risks, including the following:

- difficulties in integrating the operations, systems, technologies, products, and personnel of the combined companies, particularly companies with large and widespread operations and/or complex products;
- diversion of management's attention from normal daily operations of the business and the challenges of managing larger and more widespread operations resulting from business combinations, sales, divestitures and /or restructurings;
- potential difficulties in completing projects associated with in-process research and development intangibles;
- difficulties in entering markets in which we have no or limited direct prior experience and where competitors in each market have stronger market positions;
- initial dependence on unfamiliar supply chains or relatively small supply partners;
- insufficient revenue to offset increased expenses associated with acquisitions; and
- the potential loss of key employees, customers, resellers, vendors and other business partners of our company or the companies with which we engage in strategic transactions following and continuing after announcement of an anticipated strategic transaction.

Strategic transactions may also cause us to:

- issue common stock that would dilute our current stockholders or cause a change in control of the combined company;
- use a substantial portion of our cash resources, or incur debt;
- significantly increase our interest expense, leverage and debt service requirements if we incur additional debt to pay for an acquisition;
- assume material liabilities;

- record goodwill and non-amortizable intangible assets that are subject to impairment testing on a regular basis and potential periodic impairment charges;
- incur amortization expenses related to certain intangible assets;
- incur tax expenses related to the effect of acquisitions on our intercompany R&D cost sharing arrangement and legal structure;
- incur large and immediate write-offs and restructuring and other related expenses; and
- become subject to intellectual property or other litigation.

Mergers, restructurings, sales and acquisitions of high-technology companies are inherently risky and subject to many factors outside of our control. No assurance can be given that any future strategic transactions will be successful and will not materially adversely affect our business, operating results or financial condition. Failure to manage and successfully complete a strategic transaction could materially harm our business and operating results. Even when an acquired or acquiring company has already developed and marketed products, there can be no assurance that product enhancements will be made in a timely fashion or that pre-acquisition due diligence will have identified all possible issues that might arise with respect to such products.

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

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

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

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

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

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

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

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

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

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

Changes in accounting standards issued by the Financial Accounting Standards Board ("FASB") could adversely affect our financial condition and results of operations, and could require a significant expenditure of time, attention and resources, especially by senior management.

Our accounting and financial reporting policies conform to U.S. GAAP, which are periodically revised and/or expanded. The application of accounting principles is also subject to varying interpretations over time. Accordingly, we are required to adopt new or revised accounting standards or comply with revised interpretations that are issued from time to time by various parties, including accounting standard setters and those who interpret the standards, such as the FASB and the SEC and our independent registered public accounting firm. The FASB has recently proposed new financial accounting standards that may result in significant changes that could adversely affect our financial condition and results of operations.

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, which supersedes nearly all existing U.S. GAAP regarding revenue recognition. In February 2016, the FASB issued ASU 2016-02, Leases, which requires all operating leases with lease terms longer than twelve months be recorded as lease assets and lease liabilities on our consolidated balance sheets. Implementing changes required by new standards, requirements or laws likely will require a significant expenditure of time, attention and resources. It is impossible to completely predict the impact, if any, on us of future changes to accounting standards and financial reporting and corporate governance requirements.

Refer to Note 1 - The Company and Summary of Significant Accounting Policies of the Notes to the Consolidated Financial Statements for further discussion of these new accounting standards, including the implementation status and potential impact to our consolidated financial statements.

There are inherent limitations on the effectiveness of our controls.

We do not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well-designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that resource constraints exist, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people, or by management's override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in

achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate due to changes in conditions or deterioration in the degree of compliance with policies or procedures. If our controls become inadequate, we could fail to meet our financial reporting obligations, our reputation may be adversely affected, our business and operating results could be harmed, and the market price of our stock could decline.

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

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

We may be subject to litigation regarding our intellectual property. This litigation could be costly to defend and resolve, and could prevent us from using or selling the challenged technology.

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

System security risks, data protection breaches, and cyber attacks could compromise our proprietary information, disrupt our internal operations and harm public perception of our security products, which could cause our business and reputation to suffer and adversely affect our stock price.

In the ordinary course of business, we store sensitive data, including intellectual property, our proprietary business information and proprietary information of our customers, suppliers and business partners, on our networks. The secure maintenance of this information is critical to our operations and business strategy. Increasingly, companies, including ours, are subject to a wide variety of attacks on their networks on an ongoing basis. Despite our security measures, our information technology and infrastructure may be vulnerable to penetration or attacks by computer programmers and hackers, or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise our networks, creating system disruptions or slowdowns and exploiting security vulnerabilities of our products, and the information stored on our networks could be accessed, publicly disclosed, lost or stolen, which could subject us to liability to our customers, suppliers, business partners and others, and cause us reputational and financial harm. In addition, sophisticated hardware and operating system software and applications that we produce or procure from third parties may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with the operation of our networks.

If an actual or perceived breach of network security occurs in our network or in the network of a customer of our security products, regardless of whether the breach is attributable to our products, the market perception of the effectiveness of our products could be harmed. Because the techniques used by computer programmers and hackers, many of whom are highly sophisticated and well-funded, to access or sabotage networks change frequently and generally are not recognized until after they are used, we may be unable to anticipate or immediately detect these techniques. This could impede our sales, manufacturing, distribution or other critical functions. In addition, the economic costs to us to eliminate or alleviate cyber or other security problems, bugs, viruses, worms, malicious software systems and security vulnerabilities could be significant and may be difficult to anticipate or measure because the damage may differ based on the identity and motive of the programmer or hacker, which are often difficult to identify.

Anti-takeover provisions of Delaware law, the Plan, and provisions in our Amended and Restated Certificate of Incorporation, as amended, and Amended and Restated Bylaws could make a third-party acquisition of us difficult.

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

In addition, the Plan and the Charter Amendments could make an acquisition of us more difficult, and certain acquisitions may also be void under the Charter Amendments. The risks associated with the Plan and the Charter Amendments are described in more detail above under the heading "Our ability to use net operating loss carryforwards to offset future taxable income for U.S. federal income tax purposes and other tax benefits may be limited."

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

As of June 30, 2017, we leased approximately 178,000 square feet of facilities worldwide, with approximately 42% in the United States, mostly in California, Texas, and North Carolina. Our corporate headquarters is located in Milpitas, California, and consists of approximately 19,000 square feet office space. We also lease approximately 54,000 square feet of office, assembly facilities and warehouse in certain locations in Texas. Internationally, we lease approximately 104,000 square feet of facilities throughout Europe, Canada, Central America, South America, Africa and Asia regions, including offices in Singapore, Slovenia, Philippine Islands, India, Mexico, Brazil, Canada, South Africa, Ghana, Ivory Coast, Kenya, Nigeria, Algeria, France, Netherlands, Poland, Russia, Australia, Dubai, Saudi Arabia, Lebanon, China, and Thailand. In addition, we own approximately 108,000 square feet of facilities in Wellington, New Zealand and Lanarkshire, Scotland.

We maintain our facilities in good operating condition, and believe that they are suitable and adequate for our current and projected needs. We continuously review our anticipated requirements for facilities and may, from time to time, acquire additional facilities, expand existing facilities, or dispose of existing facilities or parts thereof, as we deem necessary.

For more information about our lease obligations, see "Note 12. Commitments and Contingencies" of the notes to consolidated financial statements, which are included in Item 8 in this Annual Report on Form 10-K.

Item 3. *Legal Proceedings*

We are subject from time to time to disputes with customers concerning our products and services. In May 2016, we received notification of a claim for $1.0 million in damages from a customer in Austria alleging that certain of our products were defective. We are continuing to investigate this claim, and at this time an estimate of the reasonably possible loss or range of loss cannot be made. In August 2016, we received a correspondence from a customer in Africa demanding that certain inventory be repurchased under the terms of an inventory management agreement that we believed had previously expired. We settled this matter for $0.2 million in April 2017.

From time to time, we may be involved in various other legal claims and litigation that arise in the normal course of our operations. We are aggressively defending all current litigation matters. Although there can be no assurances and the outcome of these matters is currently not determinable, we currently believe that none of these claims or proceedings are likely to have a material adverse effect on our financial position. We expect to defend each of these disputes vigorously. There are many uncertainties associated with any litigation and these actions or other third-party claims against us may cause us to incur costly litigation and/or substantial settlement charges. As a result, our business, financial condition, results of operations, and cash flows could be adversely affected. The actual liability in any such matters may be materially different from our estimates, if any.

We record accruals for our outstanding legal proceedings, investigations or claims when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. We evaluate, at least on a quarterly basis, developments in legal proceedings, investigations or claims that could affect the amount of any accrual, as well as any developments that would result in a loss contingency to become both probable and reasonably estimable. Except for the matter above which was ultimately settled for $0.2 million, we have not recorded any accrual for loss contingencies associated with such legal claims or litigation discussed above.

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

Not applicable.

PART II

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

Market Information and Price Range of Common Stock

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

According to the records of our transfer agent, as of August 17, 2017, there were 2,544 holders of record of our common stock. The following table sets forth the high and low closing prices for a share of our common stock on NASDAQ Global Select Market for the periods indicated during our fiscal years 2017 and 2016, as retroactively adjusted for the 1-for-12 reverse stock split discussed in "Note 1. The Company and Summary of Significant Accounting Policies" of the notes to consolidated financial statements, which are included in Item 8 in this Annual Report on Form 10-K:

	Fiscal 2017		Fiscal 2016	
	High	Low	High	Low
First Quarter	$ 9.93	$ 7.39	$ 15.96	$ 12.48
Second Quarter	$ 14.94	$ 8.43	$ 14.04	$ 8.92
Third Quarter	$ 15.86	$ 10.35	$ 9.57	$ 6.60
Fourth Quarter	$ 23.55	$ 14.30	$ 9.31	$ 6.18

Dividend Policy

We have not paid cash dividends on our common stock and do not intend to pay cash dividends in the foreseeable future. We intend to retain any earnings for use in our business. In addition, the covenants of our credit facility may restrict us from paying dividends or making other distributions to our stockholders under certain circumstances.

Sales of Unregistered Securities

During fiscal 2017, we did not issue or sell any unregistered securities.

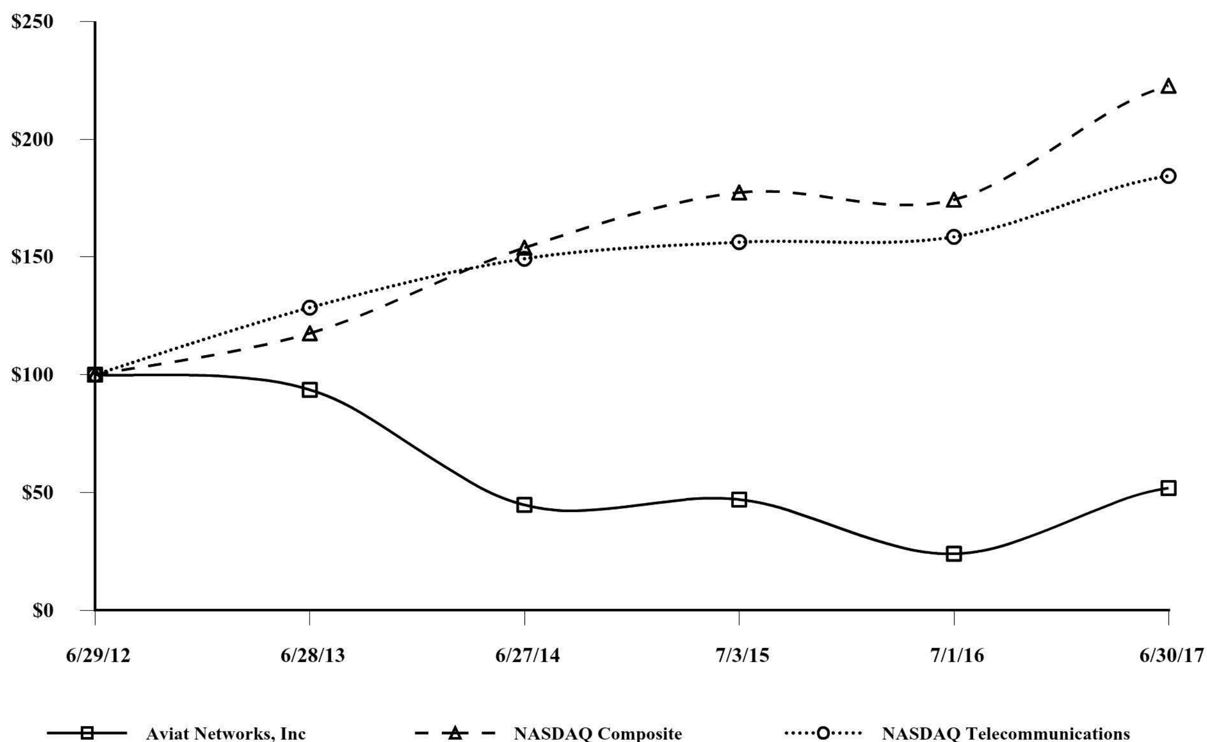
Issuer Repurchases of Equity Securities

During fiscal 2017, we did not repurchase any equity securities.

Performance Graph

The following graph and accompanying data compares the cumulative total return on our common stock with the cumulative total return of the Total Return Index for The NASDAQ Composite Market (U.S. Companies) and the NASDAQ Telecommunications Index for the five-year period ended June 30, 2017. The stock price performance shown on the graph below is not necessarily indicative of future price performance. Note that this graph and accompanying data is "furnished," not "filed," with the SEC.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Aviat Networks, Inc., the NASDAQ Composite Index
and the NASDAQ Telecommunications Index



	6/29/2012	6/28/2013	6/27/2014	7/3/2015	7/1/2016	6/30/2017
Aviat Networks, Inc.	$ 100.00	$ 93.57	$ 44.66	$ 46.98	$ 23.95	$ 51.77
NASDAQ Composite	$ 100.00	$ 117.60	$ 153.88	$ 177.34	$ 174.29	$ 222.67
NASDAQ Telecommunications	$ 100.00	$ 128.44	$ 149.22	$ 156.24	$ 158.51	$ 184.31

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* Assumes (i) $100 invested on June 29, 2012 in Aviat Networks, Inc. common stock, the Total Return Index for The NASDAQ Composite Market (U.S. companies) and the NASDAQ Telecommunications Index; and (ii) immediate reinvestment of all dividends.

Item 6. *Selected Financial Data*

The following table summarizes our selected historical financial information for each of the last five fiscal years that has been derived from our consolidated financial statements. All of the per-share data have been retroactively adjusted for the 1-for-12 reverse stock split discussed in "Note 1. The Company and Summary of Significant Accounting Policies" of the notes to consolidated financial statements, which are included in Item 8 of this Annual Report on Form 10-K. Data presented for fiscal years 2017, 2016 and 2015 are included elsewhere in this Annual Report on Form 10-K. This table should be read in conjunction with our other financial information, including "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes, included elsewhere in this Annual Report on Form 10-K.

(In thousands, except per share amounts)	Fiscal Year Ended June 30, 2017	July 1, 2016	July 3, 2015	June 27, 2014 (1)	June 28, 2013 (1)
Revenue from product sales and services	$ 241,874	$ 268,690	$ 335,878	$ 346,032	$ 471,255
Cost of product sales and services	166,402	206,973	255,188	260,844	332,913
Loss from continuing operations (2) (3)	(621)	(30,178)	(24,648)	(52,018)	(12,647)
Net loss (2) (3)	(621)	(29,637)	(24,554)	(51,100)	(16,725)
Net income attributable to noncontrolling interests, net of tax	202	270	71	—	—
Net loss attributable to Aviat Networks (2) (3)	(823)	(29,907)	(24,625)	(51,100)	(16,725)
Basic and diluted loss per common share:					
Loss from continuing operations	$ (0.16)	$ (5.81)	$ (4.77)	$ (10.13)	$ (2.53)
Net loss	(0.16)	(5.71)	(4.75)	(9.95)	(3.34)

(1) As revised, during the fourth quarter of fiscal 2015, these amounts have been revised as we identified and corrected errors around our accrued liability related to cost of services revenue.

(2) Include share-based compensation expense $2.1 million, $1.8 million, $2.2 million, $3.4 million and $6.4 million for fiscal 2017, 2016, 2015, 2014 and 2013 respectively.

(3) Include restructuring charges of $0.6 million, $2.5 million, $4.9 million, $11.2 million and $3.1 million for fiscal 2017, 2016, 2015, 2014 and 2013 respectively.

(In thousands)	As of June 30, 2017	July 1, 2016	July 3, 2015	June 27, 2014 (1)	June 28, 2013 (1)
Total assets	$ 152,576	$ 166,111	$ 224,715	$ 253,184	$ 305,816
Long-term liabilities	12,218	12,707	18,198	19,574	24,825

(1) As revised, during the fourth quarter of fiscal 2015, these amounts have been revised as we identified and corrected errors around our accrued liability related to cost of services revenue.

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

Overview of Business; Operating Environment and Key Factors Impacting Fiscal 2016 and 2017 Results

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand our results of operations and financial condition. MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying notes. In the discussion below, our fiscal year ending June 29, 2018 is referred to as "fiscal 2018" or "2018"; our fiscal year ended June 30, 2017 is referred to as "fiscal 2017" or "2017"; our fiscal year ended July 1, 2016 is referred to as "fiscal 2016" or "2016"; and our fiscal year ended July 3, 2015 is referred to as "fiscal 2015" or "2015."

Overview

We generate revenue by designing, developing, manufacturing and supporting a range of wireless networking products, solutions and services for mobile and fixed communications service providers, private network operators, government agencies, transportation, energy and utility companies, public safety agencies and broadcast network operators across the world. Our products include point-to-point digital microwave transmission systems designed for first/last mile access, middle mile/backhaul, and long distance trunking applications. We also provide network management software solutions to enable operators to deploy, monitor and manage our systems, third party equipment such as antennas, routers, optical transmission equipment and other equipment necessary to build and deploy a complete telecommunications transmission network. We provide a full suite of professional services for planning, deployment, operations and maintenance of our customers' networks.

We work continuously to improve our established brands and to create new products that meet our customers' evolving needs and preferences. Our fundamental business goal is to generate superior returns for our stockholders over the long term. We believe that increases in revenue, operating profits and earnings per share are the key measures of financial performance for our business. However, within the industry there continues to be strong price competition for new business and periodic large customer consolidations that intensify competition in all regions.

Our strategic focus in fiscal 2018 will be to continue to accelerate innovation and optimize our product portfolio, improve costs and operational efficiencies, grow our revenue and create a sustainable, profitable business model. To do this, we continue to examine our products, markets, facilities, development programs, and operational flows to ensure we are focused on what we do well and what will differentiate us in the future. We will continue working to streamline management processes to attain the efficiency levels required by the markets in which we do business.

Although the general trend of increasing demand for bandwidth to support mobile networks applies in all markets, we expect to see quarter-to-quarter fluctuations within markets and with individual customers based on customers' past purchasing patterns. Seasonality is also a factor that impacts our business. Our fiscal third quarter revenue and orders have historically been lower than the revenue and orders in our second fiscal quarter because many of our customers utilize a significant portion of their capital budgets at the end of their fiscal years, which is typically the calendar year end and coincides with our second fiscal quarter. 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 additional factors, including changes in the global economy.

In line with industry trends, we expect to provide increased managed services, including network design, inventory management, final configuration and warehousing services, to certain customers in certain geographies. Our operating results may be impacted by providing these services to the extent that we may need to postpone the recognition of revenue and incur upfront and ongoing expenses that are not offset with additional revenue from product sales associated with these services until a future period.

We continue to explore strategic alternatives to improve the market position and profitability of our product offerings in the marketplace, generate additional liquidity and enhance our valuation. We may pursue our goals during the next twelve months through organic growth and through strategic alternatives. Some of these alternatives have included, and could continue to include, selective acquisitions, divestitures and the sale of assets or securities. We have also provided, and may from time to time in the future provide, information to interested parties.

Operations Review

The market for mobile backhaul continues to be our primary addressable market segment and, over the long term, the demand for increasing the backhaul capacity in our customers' networks continues to grow. In North America, we supported long-term evolution ("LTE") deployments of our mobile operator customers, public safety network deployments for state and local governments, and private network implementations for utilities and other customers. In international markets, our business continued to rely on a combination of customers increasing their capacity to handle subscriber growth, the ongoing build-out of some large 3G deployments, and the emergence of early stage LTE deployments. Our international business was adversely affected in fiscal 2016 and fiscal 2017 by constrained availability of U.S. dollars in countries with economies highly dependent on resource exports, particularly oil. This condition, along with decline in local purchasing power because of the currency devaluation relative to U.S. dollars, limited capital spending and slowed payments from customers in those locations. Our position continues to be to support our customers for LTE readiness and ensure that our technology roadmap is well aligned with evolving market requirements. We continue to find that our strength in turnkey and after-sale support services is a differentiating factor that wins business for us and enables us to expand our business with existing customers in all markets. However, as disclosed above and in the "Risk Factors" section in Item 1A of this Annual Report on Form 10-K, a number of factors could prevent us from achieving our objectives, including ongoing pricing pressures attributable to competition and macroeconomic conditions in the geographic markets that we service.

Revenue

We manage our sales activities primarily on a geographic basis in North America and three international geographic regions: (1) Africa and Middle East, (2) Europe and Russia and (3) Latin America and Asia Pacific. Revenue by region for fiscal 2017, 2016 and 2015 and the related changes were shown in the table below:

	Fiscal Year			$ Change		% Change	
(In thousands, except percentages)	2017	2016	2015	2017/2016	2016/2015	2017/2016	2016/2015
North America	$ 132,078	$ 125,482	$ 153,239	$ 6,596	$ (27,757)	5.3 %	(18.1)%
Africa and Middle East	60,150	82,742	97,112	(22,592)	(14,370)	(27.3)%	(14.8)%
Europe and Russia	14,128	20,539	35,990	(6,411)	(15,451)	(31.2)%	(42.9)%
Latin America and Asia Pacific	35,518	39,927	49,537	(4,409)	(9,610)	(11.0)%	(19.4)%
Total Revenue	$ 241,874	$ 268,690	$ 335,878	$ (26,816)	$ (67,188)	(10.0)%	(20.0)%

Our revenue in North America increased $6.6 million, or 5.3%, in fiscal 2017 compared with fiscal 2016. The increase in North America was from private network customers, offset by decreased revenue from wireless operator customers. Private network business increased in fiscal 2017 due to new customers and substantial investments by certain customers in network upgrades. The decrease in revenue from our North America wireless operator customers was primarily due to them reaching the end of their LTE network build cycle. Revenue in North America decreased $27.8 million, or 18.1%, in fiscal 2016 compared with fiscal 2015. While our order volume increased in North America compared to fiscal 2015, we experienced a shift in the mix of business away from wireless operator customers and toward private networks operated by governments and utilities. In addition, orders from private networks generally have a longer cycle time from order placement to completion for revenue than orders from the wireless operators because of the larger degree of service content included with the private network projects. In fiscal 2016, we saw a decrease in revenue both from the lower volume of business with wireless operator customers and from the longer cycle time to revenue from the larger volume of business with private network customers.

Revenue in Africa and the Middle East decreased $22.6 million, or 27.3%, in fiscal 2017 compared with fiscal 2016 due to lower sales to mobile operator customers in Africa and a decrease in revenue from customers in the Middle East. Our sales to major African customers have declined for several years due to a combination of factors that vary within the region, including customer constraints on capital spending and decline in local purchasing power because of currency devaluation relative to U.S. dollars. Revenue in Africa and the Middle East decreased $14.4 million, or 14.8%, in fiscal 2016 compared with fiscal 2015. The fiscal 2016 decrease in revenue came from decreased sales volume to our private network customers in the Middle East and across several customers in Africa. Revenue with our major wireless operator customers in the region remained relatively low, and slightly down in fiscal 2016 compared to fiscal 2015.

Revenue in Europe and Russia was down $6.4 million, or 31.2%, in fiscal 2017 compared with fiscal 2016. The decrease came from lower sales to our large customers in the region compared with fiscal 2016. In addition, sales were negatively affected by decreased purchasing power coming from the general weakness of the Euro relative to the U.S.

dollar. Revenue in Europe and Russia was down $15.5 million, or 42.9% in fiscal 2016 compared with fiscal 2015 for similar reasons.

Revenue in Latin America and Asia Pacific declined $4.4 million, or 11.0%, in fiscal 2017 compared with fiscal 2016, primarily due to decreased deliveries to our larger customers in the Asia-Pacific region. Business in Latin America increased a small amount over the previous fiscal year. Revenue in Latin America and Asia-Pacific declined $9.6 million, or 19.4%, in fiscal 2016 compared with fiscal 2015, mostly due to lower product sales to several mid-size customers in Asia Pacific, partially offset by a large increase with one of our customers in the region. The decrease was also attributable to a year-to-year reduction in sales to private network customers in Latin America.

	Fiscal Year			$ Change		% Change	
(In thousands, except percentages)	2017	2016	2015	2017/2016	2016/2015	2017/2016	2016/2015
Product sales	$ 153,517	$ 167,827	$ 214,874	$ (14,310)	$ (47,047)	(8.5)%	(21.9)%
Services	88,357	100,863	121,004	(12,506)	(20,141)	(12.4)%	(16.6)%
Total Revenue	$ 241,874	$ 268,690	$ 335,878	$ (26,816)	$ (67,188)	(10.0)%	(20.0)%

Our revenue from product sales decreased $14.3 million, or 8.5%, in fiscal 2017 compared with fiscal 2016. Product sales were weaker in all international markets, with the exception of Latin America, for the same reasons as mentioned above in the regional comments. The $23.2 million decrease in international product sales was partially offset by an $8.9 million increase in North America product sales during fiscal 2017. Our service revenue decreased $12.5 million, or 12.4%, in fiscal 2017 compared with fiscal 2016 mainly due to the reduction in product sales. Service sales in North America decreased by $2.3 million, and service sales to our international customers decreased by $10.2 million.

Our revenue from product sales decreased $47.0 million, or 21.9%, in fiscal 2016 compared with fiscal 2015. Product volumes were lower in all sectors, but the majority of the decrease was in North America and Europe. In North America this decline reflected fewer orders from wireless operators and the extended cycle time to complete large projects. In Europe, this decline reflected constrained capital spending mentioned above. Our services revenue decreased $20.1 million, or 16.6%, in fiscal 2016 compared with fiscal 2015, due to reduced service activities in all sectors, but particularly in North America, Middle East and Africa.

Gross Margin

	Fiscal Year			$ Change		% Change	
(In thousands, except percentages)	2017	2016	2015	2017/2016	2016/2015	2017/2016	2016/2015
Revenue	$241,874	$268,690	$335,878	$ (26,816)	$ (67,188)	(10.0)%	(20.0)%
Cost of revenue	166,402	206,973	255,188	(40,571)	(48,215)	(19.6)%	(18.9)%
Gross margin	$ 75,472	$ 61,717	$ 80,690	$ 13,755	$ (18,973)	22.3 %	(23.5)%
% of revenue	31.2%	23.0%	24.0%				
Product margin %	31.5%	23.3%	23.7%				
Service margin %	30.7%	22.4%	24.5%				

Gross margin for fiscal 2017 increased $13.8 million, or 22.3%, compared with fiscal 2016. Gross margin as a percentage of revenue for fiscal 2017 improved to 31.2%, compared with 23.0% in fiscal 2016. Gross margin improvement was primarily due to lower supply chain costs, a decrease in inventory write-down of $9.1 million and improved sales margin rates from both product and service businesses. Product margin as a percentage of product revenue increased over the same period in fiscal 2016 primarily due to reduced supply chain costs, a decrease in inventory write-down of $9.1 million and greater concentration of sales in higher margin regions. Gross margin as a percentage of service revenue also improved in all sectors compared with the same period in fiscal 2016. We attributed the margin improvement in the service business and our reduced supply chain costs to process improvement programs along with our restructuring program implemented over the past several quarters.

Gross margin for fiscal 2016 decreased $19.0 million, or 23.5%, compared with fiscal 2015. Gross margin as a percentage of revenue for fiscal 2016 decreased to 23.0%, compared with 24.0% in fiscal 2015. The decrease was primarily due to lower revenue volume across all business sectors during fiscal 2016 and an increase in inventory write-down of $2.9 million, partially offset by reduced supply chain costs compared with fiscal 2015. Product margin as a percentage of product revenue decreased from fiscal 2015 primarily due to supply chain costs being absorbed by a

substantially smaller volume of product sales during the year and an increase in inventory write-down of $2.9 million. Service margin as a percentage of service revenue declined primarily due to a less profitable service business in international markets.

Research and Development Expenses

(In thousands, except percentages)	Fiscal Year			$ Change		% Change	
	2017	2016	2015	2017/2016	2016/2015	2017/2016	2016/2015
Research and development expenses	$ 18,684	$ 20,806	$ 25,368	$ (2,122)	$ (4,562)	(10.2)%	(18.0)%
% of revenue	7.7%	7.7%	7.6%				

Our R&D expenses decreased $2.1 million, or 10.2%, in fiscal 2017 compared with fiscal 2016. The decrease in R&D expenses was primarily due to a $1.2 million reduction in professional services and material spending along with an increase of $1.1 million related to an international economic incentive grant credit earned in fiscal 2017. We continue to invest in new product features, new functionality and lower cost platforms that we believe will enable our product lines to retain their technology leads in a cost-effective manner.

Our R&D expenses decreased $4.6 million, or 18.0%, in fiscal 2016 compared with fiscal 2015. The decrease in R&D expenses was primarily due to a $4.4 million reduction in personnel and related expenses due to the restructuring programs implemented, and $1.8 million facility expense reassigned to restructuring accounts. The decreases were partially offset by a $1.7 million increase in professional services and material spending for new products.

Selling and Administrative Expenses

(In thousands, except percentages)	Fiscal Year			$ Change		% Change	
	2017	2016	2015	2017/2016	2016/2015	2017/2016	2016/2015
Selling and administrative expenses	$ 57,184	$ 65,902	$ 76,005	$ (8,718)	$ (10,103)	(13.2)%	(13.3)%
% of revenue	23.6%	24.5%	22.6%				

Our selling and administrative expenses decreased $8.7 million, or 13.2%, in fiscal 2017 compared with fiscal 2016. The decrease was primarily due to a $7.6 million decrease in personnel and related expenses, and a $0.9 million reduction in professional fees primarily associated with accounting, IT, legal, and marketing consulting services. We will continue to seek ways to improve our operating efficiency in fiscal 2018.

Our selling and administrative expenses decreased $10.1 million, or 13.3%, in fiscal 2016 compared with fiscal 2015. The decrease was primarily due to a $3.8 million decrease in personnel and related expenses, a $6.5 million reduction in professional fees primarily associated with accounting, IT, legal, and marketing consulting services, a $1.4 million decrease in sales commission and incentive compensation, and a $0.4 million decrease in share-based compensation expenses. The decreases were partially offset by a $1.9 million increase in professional fees primarily associated with process improvements, and a $0.6 million increase in bad debt expenses.

Restructuring Charges

During the fourth quarter of fiscal 2016, we initiated a restructuring plan (the “Fiscal 2016-2017 Plan”) to streamline our operations and align expense with current revenue levels. Activities under the Fiscal 2016-2017 Plan primarily include reductions in force in marketing, selling and general and administrative functions across the Company.

During the third quarter of fiscal 2015, with the intent to bring our operational cost structure in line with the changing dynamics of the microwave radio and telecommunications markets, we initiated a restructuring plan (“the Fiscal 2015-2016 Plan”) to lower fixed overhead costs and operating expenses and to preserve cash flow. Activities under the Fiscal 2015-2016 Plan primarily include reductions in force across the Company, but primarily in operations outside the United States.

During the third quarter of fiscal 2014, in line with the decrease in revenue that we experienced and our reduced forecast for the immediate future, we initiated a restructuring plan (“the Fiscal 2014-2015 Plan”) to reduce our operating costs, primarily in North America, Europe and Asia. Activities under the Fiscal 2014-2015 Plan primarily include reductions in force and additional facility downsizing of our Santa Clara, California headquarters.

During the fourth quarter of fiscal 2013, we initiated a restructuring plan (the "Fiscal 2013-2014 Plan") that was intended to reduce our operating expenses primarily in North America, Europe and Asia. Activities under the Fiscal 2013-2014 Plan included reductions in force and the downsizing of our Santa Clara, California headquarters and certain international field offices.

Our restructuring charges by plan for fiscal 2017, 2016 and 2015 are summarized in the table below:

(In thousands, except percentages)	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	$ Change 2017/2016	$ Change 2016/2015	% Change 2017/2016	% Change 2016/2015
Fiscal 2016-2017 Plan	$ 345	$ 2,210	$ —	$ (1,865)	$ 2,210	(84.4)%	N/A
Fiscal 2015-2016 Plan	36	282	3,503	(246)	(3,221)	(87.2)%	(91.9)%
Fiscal 2014-2015 Plan	162	77	1,277	85	(1,200)	110.4 %	(94.0)%
Fiscal 2013-2014 Plan	46	(114)	87	160	(201)	(140.4)%	(231.0)%
Total	$ 589	$ 2,455	$ 4,867	$ (1,866)	$ (2,412)	(76.0)%	(49.6)%

Our restructuring expenses consisted primarily of severance and related benefit charges, facilities costs related to obligations under non-cancelable leases for facilities that we ceased to use, and lease termination charges. During June 2016, we entered into a lease termination agreement for our previous headquarters lease in Santa Clara, California.

Restructuring charges for fiscal 2017 included $0.4 million employee severance and benefits costs primarily related to the Fiscal 2016-2017 Plan and $0.2 million facility charges primarily consisted of headquarters moving costs. Restructuring charges for fiscal 2016 included $2.5 million employee severance and benefits costs primarily related to the Fiscal 2016-2017 Plan and the Fiscal 2015-2016 Plan, a $1.9 million lease termination payable, offset by a $1.2 million deferred rent liability write-off and a net decrease of $0.7 million lease impairment liabilities both resulted from the termination of our Santa Clara headquarters building. Restructuring charges for fiscal 2015 included a $2.9 million employee termination charge primarily related to the Fiscal 2015-2016 Plan, a $1.4 million facility charge related to ceasing to use portion of our Santa Clara headquarters building and a $0.6 million Slovenia government fund penalty charge related to the workforce reduction.

We have substantially completed the restructuring activities under all plans by the end of fiscal 2017.

Interest Income, Interest Expense and Other Expense

(In thousands, except percentages)	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	$ Change 2017/2016	$ Change 2016/2015	% Change 2017/2016	% Change 2016/2015
Interest income	$ 261	$ 252	$ 360	$ 9	$ (108)	4 %	(30)%
Interest expense	(50)	(104)	(388)	54	284	(52)%	(73)%
Other income (expense)	169	(1,245)	—	1,414	(1,245)	(114)%	N/A

Interest income reflected interest earned on our cash equivalents which were comprised of money market funds and certificates of deposit.

Interest expense was primarily related to interest associated with borrowings under the Silicon Valley Bank ("SVB") Credit Facility and discounts on customer letters of credit.

Other income in fiscal 2017 included a $0.3 million foreign currency translation gain reclassified from accumulated other comprehensive loss upon liquidation of a dormant foreign legal entity. This income was offset partially by a $0.2 million foreign exchange loss on a dividend declared by our Nigeria entity (a partnership for U.S. tax purposes) to our Aviat U.S. entity. Other expense in fiscal 2016 related to the foreign exchange loss on a dividend declared by our Nigeria entity to Aviat U.S. entity which was caused by a significant devaluation of the Nigerian Naira in June 2016.

Income Taxes

(In thousands, except percentages)	Fiscal Year 2017	2016	2015	$ Change 2017/2016	2016/2015
Loss from continuing operations before income taxes	$ (605)	$(28,543)	$ (25,958)	$ 27,938	$ (2,585)
Provision for (benefit from) income taxes	16	1,635	(1,310)	(1,619)	2,945
As % of loss from continuing operations before income taxes	(2.6)%	(5.7)%	5.0%		

Our income tax expense (benefit) from continuing operations was $16 thousand of expense for fiscal 2017 compared to $1.6 million of expense for fiscal 2016 and $1.3 million of benefit for fiscal 2015. The difference between our income tax expense (benefit) from continuing operations and income tax expense at the statutory rate of 35% was primarily attributable to losses in tax jurisdictions in which we cannot recognize a tax benefit and increase in foreign withholding taxes. During fiscal 2017, we recorded a $3.7 million tax benefit from the audit assessment refund received from the Inland Revenue Authority of Singapore. During fiscal 2015, we released approximately $4.4 million of the deferred tax valuation allowance in jurisdictions where management believed the utilization of deferred tax assets was more likely than not based on the weighting of positive and negative evidence.

Income from Discontinued Operations

(In thousands)	Fiscal Year 2017	2016	2015	$ Change 2017/2016	2016/2015
Income from discontinued operations, net of tax	$ —	$ 541	$ 94	$ (541)	$ 447

Our discontinued operations consisted of the WiMAX business, which was sold to EION Networks, Inc. (“EION”) on September 2, 2011. We completed the business transition with EION in fiscal 2012. The income recognized in fiscal 2016 was primarily due to recovery of certain WiMAX customer receivables that were previously written down. The income recognized in fiscal 2015 was primarily due to a $0.1 million write-off of accrued liabilities due to EION.

Liquidity, Capital Resources and Financial Strategies

As of June 30, 2017, our total cash and cash equivalents and short-term investments totaled $35.9 million. Approximately $22.0 million, or 61.4%, was held in the United States. The remaining balance of $13.9 million, or 38.6%, was held by entities outside the United States. Of the amount of cash and cash equivalents held by our foreign subsidiaries at June 30, 2017, $9.7 million was held in jurisdictions where our undistributed earnings are indefinitely reinvested, and if repatriated, would be subject to U.S. taxes which would be nominal.

Operating Activities

Cash provided by (used in) operating activities is presented as net loss adjusted for certain non-cash items and changes in assets and liabilities. Net cash provided by (used in) operating activities was $9.4 million for fiscal 2017, $0.4 million for fiscal 2016 and $(9.6) million for fiscal 2015.

For fiscal 2017 compared to fiscal 2016, cash provided by operating activities improved by $9.0 million. Results from operations improved by $29.0 million as we had a lower net loss of $0.6 million in fiscal 2017 compared to a net loss of $29.6 million in fiscal 2016. Net contribution of non-cash items to cash provided by operating activities decreased by $12.0 million and net contribution of changes in operating assets and liabilities to cash provided by operating activities decreased by $8.0 million in fiscal 2017 as compared to fiscal 2016.

The $29.0 million decrease in net loss includes a $3.7 million tax refund from the Inland Revenue Authority of Singapore related to a $13.2 million tax assessment we paid in fiscal 2014. This tax refund was recorded as a discrete tax benefit when it was received during our first quarter of fiscal 2017.

The $12.0 million decrease in the net contribution of non-cash items to cash provided by operating activities was primarily due to a $8.7 million decrease in charges for inventory write-downs, a $2.1 million decrease in bad debt expense, a $0.8 million decrease in depreciation and amortization of property, plant and equipment, a $0.7 million decrease in loss on disposition of property, plant and equipment and a $0.3 million gain on liquidation of a dormant subsidiary in the third quarter of fiscal 2017.

Changes in operating assets and liabilities resulted in a decrease of $8.0 million for fiscal 2017 compared to fiscal 2016. The decrease in accounts receivable was primarily due to stronger collections, and unbilled receivables increased due to timing of billings. The fluctuation in accounts payable and accrued expenses was primarily due to timing of liabilities incurred and vendor payments. The change in inventories and in customer service inventories was primarily due to demand and our focus on improving our inventory management. The change in advance payments and unearned income was due to timing of payment from customers and revenue recognition. We used $3.7 million in cash during fiscal 2017 on expenses related to restructuring liabilities.

For fiscal 2016 compared to fiscal 2015, the $10.0 million increase in cash provided by operating activities was primarily due to a $9.0 million increase in working capital, a $4.4 million decrease in deferred income taxes benefits and a $1.8 million higher inventory and customer service inventory write-downs, offset by a $5.1 million higher net loss.

Investing Activities

Net cash used in investing activities was $4.0 million for fiscal year 2017, $1.8 million for fiscal 2016 and $3.7 million for fiscal 2015, which consisted primarily of capital expenditures.

For fiscal 2018, we expect to spend approximately $5.3 million for capital expenditures, primarily on equipment for development and manufacturing of new products and to support customer managed services.

Financing Activities

Financing cash flows consist primarily of proceeds and repayments of short-term debt and proceeds from sale of share of common stock through employee equity plans. Net cash provided by financing activities was $21 thousand for fiscal year 2017, $13 thousand for fiscal 2016 and $2.9 million for fiscal 2015.

As of June 30, 2017, our principal sources of liquidity consisted of the $35.9 million in cash, cash equivalents and short-term investments, $5.8 million of available credit under our $30.0 million credit facility with Silicon Valley Bank (“SVB”) which expires on June 30, 2018, and future collections of receivables from customers. We regularly require letters of credit from some customers and, from time to time, these letters of credit are discounted without recourse shortly after shipment occurs in order to meet immediate liquidity requirements and to reduce our credit and sovereign risk. Historically, our primary sources of liquidity have been cash flows from operations and credit facilities.

We believe that our existing cash and cash equivalents, the available line of credit under the SVB Credit Facility (as defined below) and future cash collections from customers will be sufficient to provide for our anticipated requirements for working capital and capital expenditures for at least the next 12 months. Our SVB Credit Facility expires on June 30, 2018. While we intend and expect the SVB Credit Facility to be renewed, there can be no assurance that the SVB Credit Facility will be renewed. In addition, there can be no assurance, however, that our business will generate cash flow from operations, that we will be in compliance with the quarterly financial covenants contained in the SVB Credit Facility, or that we will have a sufficient borrowing base under such facility, or that anticipated operational improvements will be achieved. If we are not in compliance with the financial covenants or do not have sufficient eligible accounts receivable to support our borrowing base, the availability of our credit facility is not certain or may be diminished. Over the longer term, if we are unable to maintain cash balances or generate sufficient cash flow from operations to service our obligations that may arise in the future, we may be required to sell assets, reduce capital expenditures, or obtain financing. If we need to obtain additional financing, we cannot be assured that it will be available on favorable terms, or at all. Our ability to make scheduled principal payments or pay interest on or refinance any future indebtedness depends on our future performance and financial results, which, to a certain extent, are subject to general conditions in or affecting the microwave communications market and to general economic, political, financial, competitive, legislative and regulatory factors beyond our control.

Available Credit Facility, Borrowings and Repayment of Debt

On March 28, 2014, we entered into a Second Amended and Restated Loan Agreement with SVB (the “SVB Credit Facility”). The SVB Credit Facility was amended on September 25, 2014, October 30, 2014 and December 2, 2014 to provide for extensions to the deadline for preparing and filing our fiscal 2014 financial statements with the SEC. On February 27, 2015, the SVB Credit Facility was further amended to provide for certain amendments to the financial covenants, borrowing base and an early termination fee if the SVB Credit Facility is terminated prior to its expiration. In March 2016, we amended the SVB Credit Facility to amend financial covenants and to reduce the maximum borrowing capacity from $40.0 million to $30.0 million. In June 2016, we amended the SVB Credit Facility to amend the minimum Earnings before Interest, Tax, Depreciation and Amortization (“EBITDA”) covenant; to create a new sub-limit for letters

of credit issued under the revolving credit facility of $12.0 million; to reduce the advance rate applicable to Singapore Borrower's eligible accounts in the calculation of the borrowing base of the revolving credit facility; to increase the interest rate margins applicable to revolving loans made to Singapore Borrower by 2.00% above the applicable margin; and to extend the facility maturity date to June 30, 2018. In June 2017, the SVB Credit Facility was amended to exclude certain guarantee, indemnity and similar agreements from the borrowing base calculations and to extend the effective date to July 15, 2017 for the requirement that we obtain credit insurance on the receivables of the Singapore Borrower to be included in the borrowing base.

The SVB Credit Facility carries an interest rate computed at the daily prime rate as published in the Wall Street Journal plus a spread of 0.50% to 1.50%, with such spread determined based on our adjusted quick ratio. During fiscal 2017, the weighted average interest rate on our outstanding loan was 4.21%. As of June 30, 2017 and July 1, 2016, our outstanding debt balance under the SVB Credit Facility was $9.0 million in each fiscal year, and the interest rate was 4.75% and 4.00% respectively.

The SVB Credit Facility provides for a committed amount of up to $30.0 million, with a $30.0 million sublimit that can be borrowed by our Singapore subsidiary. Borrowings that may be advanced under the SVB Credit Facility at the lesser of $30.0 million or a borrowing base equal to a specified percentage of the value of eligible accounts receivable and U.S. unbilled accounts of the Company, subject to certain reserves and eligibility criteria. The SVB Credit Facility can also be utilized to issue letters of credit with a $12.0 million sublimit. If the SVB Credit Facility is terminated by us in certain circumstances prior to its expiration, we are subject to an early termination fee equal to 1% of the revolving line. As of June 30, 2017, available credit under the SVB Credit Facility was $5.8 million reflecting the calculated borrowing base of $20.0 million less existing borrowings of $9.0 million and outstanding letters of credit of $5.2 million.

The SVB Credit Facility contains quarterly financial covenants including minimum adjusted quick ratio and minimum profitability (EBITDA) requirements. In the event our adjusted quick ratio falls below a certain level, cash received in our accounts with SVB may be directly applied to reduce outstanding obligations under the SVB Credit Facility. The SVB Credit Facility also imposes certain restrictions on our ability to dispose of assets, permit a change in control, merge or consolidate, make acquisitions, incur indebtedness, grant liens, make investments, make certain restricted payments and enter into transactions with affiliates under certain circumstances. Certain of our assets, including accounts receivable, inventory, and equipment, are pledged as collateral for the SVB Credit Facility. Upon an event of default, outstanding obligations would be immediately due and payable. Under certain circumstances, a default interest rate will apply on all obligations during the existence of an event of default at a per annum rate of interest equal to 2.00% above the applicable interest rate.

As of June 30, 2017, we were in compliance with the quarterly financial covenants, as amended, contained in the SVB Credit Facility. However, we have historically amended the agreement to revise financial covenants and the fact that the SVB Credit Facility contains subjective acceleration clauses that could be triggered by the lender, the $9.0 million borrowing was classified as a current liability as of June 30, 2017 and July 1, 2016. We repaid the $9.0 million in July 2017.

Restructuring Payments

We had liabilities for restructuring activities totaling $1.7 million as of June 30, 2017, of which $1.5 million was classified as current liability and expected to be paid in cash over the next 12 months. We expect to fund these future payments with available cash and cash provided by operations.

Contractual Obligations

The following table summarizes our contractual obligations and commitments as of June 30, 2017:

	Obligations Due by Fiscal Year					
(In thousands)	Total	< 1 year	1 - 3 years	3 - 5 years	> 5 years	Other
Borrowings under credit facility	$ 9,000	$ 9,000	$ —	$ —	$ —	$ —
Purchase obligations [1][4]	17,846	17,529	137	72	108	—
Other purchase obligations [3][4]	1,364	1,364	—	—	—	
Operating lease commitments [4]	7,555	1,997	2,419	1,116	2,023	—
Reserve for uncertain tax positions [2]	2,453	—	—	—	—	2,453
Total contractual cash obligations	$ 38,218	$ 29,890	$ 2,556	$ 1,188	$ 2,131	$ 2,453

(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. 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, and we have no present intention to cancel or terminate any of these agreements, we currently do not believe that we have any future liability under these agreements.

(2) Liabilities for uncertain tax positions of $2.5 million were included in long-term liabilities in the consolidated balance sheets. At this time, we are unable to make a reasonably reliable estimate of the timing of payments related to this amount due to uncertainties in the timing of tax audit outcomes.

(3) Contractual obligation related to software licenses.

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

Commercial Commitments

We have entered into commercial commitments in the normal course of business including surety bonds, standby letters of credit and other arrangements with financial institutions and insurers primarily relating to the guarantee of future performance on certain tenders and contracts to provide products and services to customers. As of June 30, 2017, we had commercial commitments on outstanding surety bonds and standby letters of credit as follows:

	Expiration of Commitments by Fiscal Year				
(In thousands)	Total	2018	2019	2020	After 2021
Standby letters of credit used for:					
Payment guarantees	$ 267	$ 158	$ —	$ —	$ 109
Performance	6,226	3,635	2,577	14	—
Tax bonds	14	9	—	5	—
	6,507	3,802	2,577	19	109
Surety bonds used for:					
Bids	100	100	—	—	—
Performance	23,984	13,354	10,630	—	—
Payment guarantees	760	725	35	—	—
Tax bonds	3,390	13	—	3,377	—
	28,234	14,192	10,665	3,377	—
Total commercial commitments	$ 34,741	$ 17,994	$ 13,242	$ 3,396	$ 109

Historically, we have not paid out any significant amount of our performance guarantees. As such, the outstanding commercial commitments have not been recorded in our consolidated balance sheets.

Off-Balance Sheet Arrangements

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

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

Currently we are not participating in transactions that generate relationships with unconsolidated entities or financial partnerships, including variable interest entities, and we do not have any material retained or contingent interest in assets as defined above. As of June 30, 2017, we did not have material financial guarantees or other contractual commitments that are reasonably likely to adversely affect liquidity. In addition, we are not currently a party to any related party transactions that materially affect our results of operations, cash flows or financial condition.

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

Financial Risk Management

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

Exchange Rate Risk

We conduct business globally in numerous currencies and are therefore exposed to foreign currency risks. We use derivative instruments to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates. We do not hold or issue derivatives for trading purposes or make speculative investments in foreign currencies.

We use foreign exchange forward contracts to hedge forecasted foreign currency transactions relating to forecasted sales and purchase transactions. Prior to the fourth quarter of fiscal 2015, these derivatives were designated as cash flow hedges and are carried at fair value. The effective portion of the gain or loss was initially reported as a component of accumulated other comprehensive loss, and upon occurrence of the forecasted transaction, was subsequently reclassified into the income or expense line item to which the hedged transaction relates. Beginning the fourth quarter of fiscal 2015, we no longer prepared contemporaneous documentation of hedges for the new foreign exchange forward contracts we entered into. As a result, the foreign exchange hedges no longer qualified as cash flow hedges. The changes in fair value related to the hedges were recorded in income or expenses line items on our statements of operations. We also enter into foreign exchange forward contracts to mitigate the change in fair value of specific non-functional currency assets and liabilities on the balance sheets. All balance sheet hedges are marked to market through earnings every period. Changes in the fair value of these derivatives are largely offset by re-measurement of the underlying assets and liabilities. The last qualifying cash flow hedges occurred in the first quarter of fiscal 2016 and we reclassified a $41 thousand gain out of accumulated other comprehensive loss into cost of revenues during the first quarter of fiscal 2016.

As of June 30, 2017, we had one foreign currency forward contract outstanding as follows:

Currency	Notional Contract Amount (Local Currency)	Notional Contract Amount (USD)
	(In thousands)	
South African Rand	6,687	$ 511

Net foreign exchange loss recorded in our consolidated statements of operations during fiscal 2017, 2016 and 2015 was as follows:

	Fiscal Year		
(In thousands)	2017	2016	2015
Amount included in costs of revenues	$ (847)	$ (556)	$ (3,308)
Amount included in other income (expense)	135	(1,245)	—
Total foreign exchange loss, net	$ (712)	$ (1,801)	$ (3,308)

A 10% adverse change in currency exchange rates for our foreign currency derivatives held as of June 30, 2017 would have an impact of approximately $0.1 million on the fair value of such instruments. Certain of our international business are transacted in non-U.S. dollar currency. As discussed above, we utilize foreign currency hedging instruments to minimize the currency risk of international transactions. The impact of translating the assets and liabilities of foreign operations to U.S. dollars is included as a component of stockholders' equity. As of June 30, 2017 and July 1, 2016, the cumulative translation adjustment decreased our stockholders' equity by $11.8 million and $11.2 million, respectively.

In 2017, we reclassified a $0.3 million foreign current translation gain from accumulated other comprehensive loss to other income (expense) upon liquidation of a dormant foreign legal entity.

In June of 2016, the Nigeria Central Bank allowed the Naira to float freely after being fixed at approximately 197 Naira to one U.S. dollar. This event caused a devaluation in the Naira to approximately 280 Naira to one U.S. dollar resulting in the year over year losses in foreign exchange and cumulative translation adjustments for our Nigeria transactions.

During fiscal 2015 the company experienced increased volatility in foreign currency markets, resulting in the increased year over year losses in foreign exchange and cumulative translation adjustments, particularly in countries where there is no available market to hedge the local currency.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our cash equivalents, short-term investments and borrowings under our credit facility.

Exposure on Cash Equivalents and Short-term Investments

We had $35.9 million in total cash and cash equivalents and short-term investments as of June 30, 2017. Cash equivalents and short-term investments totaled $22.4 million as of June 30, 2017 and were comprised of money market funds and certificates of deposit. Cash equivalents and short-term investments have been recorded at fair value on our balance sheets.

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

The primary objective of our short-term investment activities is to preserve principal while maximizing yields, without significantly increasing risk. Our cash equivalents 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 investments held as of June 30, 2017 had a weighted average days to maturity of 285 days, and an average yield of 7.13% per annum. A 10% change in interest rates on our cash equivalents and short-term investments is not expected to have a material impact on our financial position, results of operations or cash flows.

Exposure on Borrowings

During fiscal 2017, we had $9.0 million of demand borrowings outstanding under our credit facility that incurred interest at the prime rate plus a spread of 0.50% to 1.50%, with such spread determined based on our adjusted quick

ratio. During fiscal 2017, our weighted average interest rate was 4.21% and we recorded total interest expense of less than $0.1 million on these borrowings.

A 10% change in interest rates on the current borrowings or on future borrowings is not expected to have a material impact on our financial position, results of operations or cash flows since interest on our borrowings is not material to our overall financial position.

Critical Accounting Estimates

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

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

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

- revenue recognition and valuation of accounts receivable;
- inventory valuation and provision for excess and obsolete inventory losses;
- impairment of long-lived assets; and
- income taxes valuation.

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

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

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

Revenue Recognition and Valuation of Accounts Receivable

Application of the various accounting principles in GAAP related to the measurement and recognition of revenue requires us to make judgments and estimates. Specifically, complex arrangements with nonstandard terms and conditions may require significant contract interpretation to determine the appropriate accounting, including whether the deliverables specified in a multiple-deliverable arrangement should be treated as separate units of accounting. Additionally, we are required to make subjective estimates and apply judgment regarding matters that are inherently uncertain including the allocation of revenue to various components of our multiple element arrangements which may contain hardware, software, licenses, maintenance and service contracts.

Revenue recognition is also impacted by our ability to estimate expected returns and collectability. We consider various factors, including a review of specific transactions, the creditworthiness of the customers' historical experience and market and economic conditions, when calculating these provisions and allowances. Evaluations are conducted each

quarter to assess the adequacy of the estimates.

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. If circumstances arise that change the original estimates of revenues, costs, or extent of progress toward completion, revisions to the estimates are made. These revisions may result in increases or decreases in estimated revenues or costs, and such revisions are reflected in income in the period in which the circumstances that gave rise to the revision become known by the company.

Inventory Valuation and Provisions for Excess and Obsolete Losses

Our inventories have been valued at the lower of cost or market. We balance the need to maintain prudent inventory levels to ensure competitive delivery performance with the risk of excess or obsolete inventory due to changing technology and customer requirements, and new product introductions. The manufacturing of our products is handled primarily by contract manufacturers. Our contract manufacturers procure components and manufacture our products based on our forecast of product demand. We regularly review inventory quantities on hand and record a provision for excess and obsolete inventory based primarily on our estimated forecast of product demand, the stage of the product life cycle, anticipated end of product life and production requirements. Several factors may influence the sale and use of our inventories, including decisions to exit a product line, technological change, new product development and competing product offerings. These factors could result in a change in the amount of obsolete inventory quantities on hand. Additionally, our estimates of future product demand may prove to be inaccurate, in which case the provision required for excess and obsolete inventory may be overstated or understated. In the future, if we determine that our inventory is overvalued, we would be required to recognize such costs in cost of product sales and services in our consolidated statement of operations at the time of such determination. In the case of goods which have been written down below cost at the close of a fiscal quarter, such reduced amount is considered the new lower cost basis for subsequent accounting purposes, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis. We did not make any material changes in the valuation methodology during the past three fiscal years.

Our customer service inventories are stated at the lower of cost or market. We carry service parts because we generally provide product warranty for 12 to 36 months and earn revenue by providing enhanced and extended warranty and repair service during and beyond this warranty period. Customer service inventories consist of both component parts, which are primarily used to repair defective units, and finished units, which are provided for customer use permanently or on a temporary basis while the defective unit is being repaired. We record adjustments to reduce the carrying value of customer service inventories to their net realizable value. Factors influencing these adjustments include product life cycles, end of service life plans and volume of enhanced or extended warranty service contracts. Estimates of net realizable value involve significant estimates and judgments about the future, and revisions would be required if these factors differ from our estimates.

Impairment of Long-Lived Assets

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

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

Income Taxes Valuation

We record the estimated future tax effects of temporary differences between the tax basis of assets and liabilities of amounts reported in our consolidated balance sheets, as well as operating loss and tax credit carryforwards. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. Although we believe our reserves are reasonable, no assurance can be given that the final tax outcome of these matters will not be different from that which is reflected in our historical income tax provisions and accruals. We adjust these reserves in light of changing facts and circumstances, such as the opening and closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences may result in an increase or decrease to our tax provision in a subsequent period in which such determination is made.

We record deferred taxes by applying enacted statutory tax rates to the respective jurisdictions and follow specific and detailed guidelines in each tax jurisdiction regarding the recoverability of any tax assets recorded on the balance sheets and provide necessary valuation allowances as required. Future realization of deferred tax assets ultimately depends on meeting certain criteria in ASC 740, *Income Taxes*. One of the major criteria is the existence of sufficient taxable income of the appropriate character (for example, ordinary income or capital gain) within the carryback or carryforward periods available under the tax law. We regularly review our deferred tax assets for recoverability based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. Our judgments regarding future profitability may change due to many factors, including future market conditions and our ability to successfully execute our business plans and/or tax planning strategies. Should there be a change in our ability to recover our deferred tax assets, our tax provision would increase or decrease in the period in which the assessment is changed.

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

Impact of Recently Issued Accounting Pronouncements

See “Note 1. The Company and Summary of Significant Accounting Policies” in the notes to consolidated financial statements for a full description of recently issued accounting pronouncements, including the respective expected dates of adoption and effects on our consolidated financial position and results of operations.

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

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

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

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Aviat Networks, Inc.
Milpitas, California:

We have audited the accompanying consolidated balance sheets of Aviat Networks, Inc. as of June 30, 2017 and July 1, 2016, and the related consolidated statements of operations, comprehensive loss, equity and cash flows for the years ended June 30, 2017, July 1, 2016 and July 3, 2015. In connection with our audits of the financial statements, we have also audited the financial statement schedule - Valuation and Qualifying Accounts as of and for the years ended June 30, 2017, July 1, 2016 and July 3, 2015 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedule. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Aviat Networks, Inc. as of June 30, 2017 and July 1, 2016 and the results of its operations and its cash flows for the years ended June 30, 2017, July 1, 2016 and July 3, 2015, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statement schedule - Valuation and Qualifying Accounts as of and for the years ended June 30, 2017, July 1, 2016 and July 3, 2015, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ BDO USA, LLP

San Jose, California
September 6, 2017

AVIAT NETWORKS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)	Fiscal Year Ended		
	June 30, 2017	July 1, 2016	July 3, 2015
Revenues:			
Revenue from product sales	$ 153,517	$ 167,827	$ 214,874
Revenue from services	88,357	100,863	121,004
Total revenues	241,874	268,690	335,878
Cost of revenues:			
Cost of product sales	105,183	128,727	163,890
Cost of services	61,219	78,246	91,298
Total cost of revenues	166,402	206,973	255,188
Gross margin	75,472	61,717	80,690
Operating expenses:			
Research and development expenses	18,684	20,806	25,368
Selling and administrative expenses	57,184	65,902	76,005
Amortization of identifiable intangible assets	—	—	380
Restructuring charges	589	2,455	4,867
Total operating expenses	76,457	89,163	106,620
Operating loss	(985)	(27,446)	(25,930)
Interest income	261	252	360
Interest expense	(50)	(104)	(388)
Other income (expense)	169	(1,245)	—
Loss from continuing operations before income taxes	(605)	(28,543)	(25,958)
Provision for (benefit from) income taxes	16	1,635	(1,310)
Loss from continuing operations	(621)	(30,178)	(24,648)
Income from discontinued operations, net of tax	—	541	94
Net loss	(621)	(29,637)	(24,554)
Less: Net income attributable to noncontrolling interests, net of tax	202	270	71
Net loss attributable to Aviat Networks	$ (823)	$ (29,907)	$ (24,625)
Amount attributable to Aviat Networks			
Net loss from continuing operations, net of tax	$ (823)	$ (30,448)	$ (24,719)
Net income from discontinued operations, net of tax	$ —	$ 541	$ 94
Basic and diluted loss per share attributable to Aviat Networks' common stockholders:			
Continuing operations	$ (0.16)	$ (5.81)	$ (4.77)
Discontinued operations	$ —	$ 0.10	$ 0.02
Net loss	$ (0.16)	$ (5.71)	$ (4.75)
Weighted average shares outstanding, basic and diluted	5,292	5,238	5,184

See accompanying notes to consolidated financial statements

AVIAT NETWORKS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)	Fiscal Year Ended		
	June 30, 2017	July 1, 2016	July 3, 2015
Net loss	$ (621)	$ (29,637)	$ (24,554)
Other comprehensive income (loss):			
Cash flow hedges:			
Change in unrealized loss on cash flow hedges	—	—	(314)
Reclassification adjustments for (gain) loss included in net loss	—	(41)	321
Net change in unrealized (loss) gain on hedging activities	—	(41)	7
Foreign currency translation:			
Loss arising during period	(279)	(2,488)	(5,672)
Reclassification of gain on liquidation of subsidiary	(349)	—	—
Net change in cumulative translation adjustment	(628)	(2,488)	(5,672)
Other comprehensive loss	(628)	(2,529)	(5,665)
Comprehensive loss	(1,249)	(32,166)	(30,219)
Comprehensive income attributable to noncontrolling interests, net of tax	202	270	71
Comprehensive loss attributable to Aviat Networks	$ (1,451)	$ (32,436)	$ (30,290)

See accompanying notes to consolidated financial statements

AVIAT NETWORKS, INC.
CONSOLIDATED BALANCE SHEETS

(In thousands, except share and par value amounts)	June 30, 2017	July 1, 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 35,658	$ 30,479
Restricted cash	541	558
Short-term investments	264	222
Accounts receivable, net	45,945	63,449
Unbilled receivables	12,110	5,117
Inventories	21,794	27,293
Customer service inventories	1,871	3,064
Other current assets	6,402	10,232
Total current assets	124,585	140,414
Property, plant and equipment, net	16,406	18,162
Deferred income taxes	6,178	6,068
Other assets	5,407	1,467
Total long-term assets	27,991	25,697
TOTAL ASSETS	$ 152,576	$ 166,111
LIABILITIES AND EQUITY		
Current Liabilities:		
Short-term debt	$ 9,000	$ 9,000
Accounts payable	33,606	33,217
Accrued expenses	21,933	23,205
Advance payments and unearned income	20,004	30,615
Restructuring liabilities	1,475	3,910
Total current liabilities	86,018	99,947
Unearned income	7,062	8,387
Other long-term liabilities	1,022	1,409
Reserve for uncertain tax positions	2,453	1,414
Deferred income taxes	1,681	1,497
Total liabilities	98,236	112,654
Commitments and contingencies (Note 12)		
Equity:		
Preferred stock, $0.01 par value; 50,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value; 300,000,000 shares authorized; 5,317,766 and 5,261,041 shares issued and outstanding as of as of June 30, 2017 and July 1, 2016, respectively	53	53
Additional paid-in-capital	813,733	811,601
Accumulated deficit	(748,204)	(747,381)
Accumulated other comprehensive loss	(11,785)	(11,157)
Total Aviat Networks stockholders' equity	53,797	53,116
Noncontrolling interests	543	341
Total equity	54,340	53,457
TOTAL LIABILITIES AND EQUITY	$ 152,576	$ 166,111

See accompanying notes to consolidated financial statements

AVIAT NETWORKS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Fiscal Year Ended June 30, 2017	Fiscal Year Ended July 1, 2016	Fiscal Year Ended July 3, 2015
Operating Activities			
Net loss	$ (621)	$ (29,637)	$ (24,554)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Amortization of identifiable intangible assets	—	—	380
Depreciation and amortization of property, plant and equipment	5,840	6,648	7,242
(Recovery) provision for uncollectible receivables	(580)	1,532	880
Share-based compensation	2,111	1,836	2,187
Deferred tax assets, net	75	(334)	(4,711)
Charges for inventory and customer service inventory write-downs	1,137	9,868	8,043
Gain on disposition of WiMAX business	—	—	(85)
Loss on disposition of property, plant and equipment, net	153	827	384
Gain on liquidation of subsidiary	(349)	—	—
Changes in operating assets and liabilities:			
Accounts receivable	18,178	17,023	(8,816)
Unbilled receivables	(6,986)	12,041	6,125
Inventories	6,383	(4,995)	(663)
Customer service inventories	90	2,419	2,285
Accounts payable	608	(13,976)	1,562
Accrued expenses	(1,310)	(599)	(4,140)
Advance payments and unearned income	(13,099)	(4,425)	4,666
Income taxes payable or receivable	1,415	2	1,450
Other assets and liabilities	(3,640)	2,126	(1,833)
Net cash provided by (used in) operating activities	9,405	356	(9,598)
Investing Activities			
Payments for acquisition of property, plant and equipment	(4,021)	(1,574)	(3,693)
Purchase of short-term investments	(139)	(222)	—
Maturities of short-term investments	122	—	—
Net cash used in investing activities	(4,038)	(1,796)	(3,693)
Financing Activities			
Proceeds from borrowings	33,000	36,000	54,000
Repayments of borrowings	(33,000)	(36,000)	(51,000)
Proceeds from issuance of common stock under employee stock plans	21	13	13
Payments on capital lease obligations	—	—	(140)
Net cash provided by financing activities	21	13	2,873
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(244)	(2,347)	(4,246)
Net increase (decrease) in cash, cash equivalents and restricted cash	5,144	(3,774)	(14,664)
Cash, cash equivalents and restricted cash, beginning of year	31,425	35,199	49,863
Cash, cash equivalents and restricted cash, end of year	$ 36,569	$ 31,425	$ 35,199

(In thousands)	Fiscal Year Ended June 30, 2017	July 1, 2016	July 3, 2015
Non-cash investing activities			
Reclassification of property, plant and equipment to inventory	$ —	$ 1,094	$ —
Unpaid property, plant and equipment	$ 1,219	$ 1,261	$ 319
Supplemental disclosures of cash flow information:			
Cash paid for interest	$ 94	$ 111	$ 387
Cash (refunded) paid for income taxes, net	$ (313)	$ 1,964	$ 2,042

See accompanying notes to consolidated financial statements

AVIAT NETWORKS, INC.
CONSOLIDATED STATEMENTS OF EQUITY

	Aviat Networks Stockholders' Equity							
	Common Stock							
(In thousands, except share amounts)	Shares	$ Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Aviat Networks Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance as of June 27, 2014	5,184,852	$ 52	$ 807,588	$ (692,849)	$ (2,963)	$ 111,828	$ —	$ 111,828
Net (loss) income				(24,625)		(24,625)	71	(24,554)
Other comprehensive loss, net of tax					(5,665)	(5,665)		(5,665)
Issuance of common stock under employee stock plans	23,348	—	13			13		13
Share-based compensation			2,187			2,187		2,187
Balance as of July 3, 2015	5,208,200	52	809,788	(717,474)	(8,628)	83,738	71	83,809
Net (loss) income				(29,907)		(29,907)	270	(29,637)
Other comprehensive loss, net of tax					(2,529)	(2,529)		(2,529)
Issuance of common stock under employee stock plans	54,498	1	12			13		13
Fractional shares buyback and other	(1,657)		(35)			(35)		(35)
Share-based compensation			1,836			1,836		1,836
Balance as of July 1, 2016	5,261,041	53	811,601	(747,381)	(11,157)	53,116	341	53,457
Net (loss) income				(823)		(823)	202	(621)
Other comprehensive loss, net of tax					(628)	(628)		(628)
Issuance of common stock under employee stock plans	56,725	—	21			21		21
Share-based compensation			2,111			2,111		2,111
Balance as of June 30, 2017	5,317,766	$ 53	$ 813,733	$ (748,204)	$ (11,785)	$ 53,797	$ 543	$ 54,340

See accompanying notes to consolidated financial statements

AVIAT NETWORKS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The Company and Summary of Significant Accounting Policies

The Company

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

We were incorporated in Delaware in 2006 to combine the businesses of Harris Corporation's Microwave Communications Division ("MCD") and Stratex Networks, Inc. ("Stratex"). On January 28, 2010, we changed our corporate name from Harris Stratex Networks, Inc. to Aviat Networks, Inc. ("the Company", "Aviat Networks," "Aviat", "we," "us," and "our") to more effectively reflect our business and communicate our brand identity to customers. Additionally, the change of our corporate name was to comply with the termination of the Harris Corporation ("Harris") trademark licensing agreement resulting from the spin-off by Harris of its interest in our stock to its stockholders in May 2009.

Basis of Presentation

The consolidated financial statements include the accounts of Aviat Networks and its wholly-owned and majority owned subsidiaries. Significant intercompany transactions and accounts have been eliminated. Certain amounts in the prior-years consolidated financial statements have been reclassified to conform to the current-year presentation

Our fiscal year ends on the Friday nearest June 30. This was June 30 for fiscal 2017, July 1 for fiscal 2016 and July 3 for fiscal 2015. Fiscal years 2017 and 2016 presented each included 52 weeks, and fiscal year 2015 included 53 weeks. In these notes to consolidated financial statements, we refer to our fiscal years as "fiscal 2017", "fiscal 2016" and "fiscal 2015."

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") requires us to make estimates, assumptions and judgments affecting the amounts reported and related disclosures. Estimates are based upon historical factors, current circumstances and the experience and judgment of our management. We evaluate our estimates and assumptions on an ongoing basis and may employ outside experts to assist us in making these evaluations. Changes in such estimates, based on more accurate information, or different assumptions or conditions, may affect amounts reported in future periods. Such estimates affect significant items, including revenue recognition, provision for uncollectible receivables, inventory valuation, valuation allowances for deferred tax assets, uncertainties in income taxes, restructuring obligations, product warranty obligations, share-based awards, contingencies, recoverability of long-lived assets and useful lives of property, plant and equipment.

Reverse Stock Split

On June 14, 2016, we effected a reverse stock split of all of the outstanding shares of our common stock at a ratio of 1-for-12 ("Reverse Stock Split"). The authorized shares of 300 million and par value per share of the common stock at $0.01 per share remain unchanged after the reverse stock split. All share and per-share data in our consolidated financial statements and applicable disclosures have been retroactively adjusted to reflect this reverse stock split.

To reflect the reverse stock split on shareholders' equity, we reclassified an amount equal to the par value of the reduced shares from the common stock par value account to the additional paid in capital account, resulting in no net impact to shareholders' equity on our consolidated balance sheets.

Cash, Cash Equivalents, Restricted Cash and Short-Term Investments

We consider all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents are carried at amortized cost, which approximates fair value due to the short-term nature of these investments. Investments with an original maturity of greater than three months and less than 12 months are accounted for as short-term investments and are classified as such at the time of purchase.

We hold cash, cash equivalents and short-term investments at several major financial institutions, which often significantly exceed Federal Deposit Insurance Corporation insured limits. However, a substantial portion of the cash equivalents is invested in prime money market funds which are backed by the securities in the fund. Our short-term investments are comprised of time deposits and certificates of deposit. We classify our marketable securities as "available-for-sale" because we view our entire portfolio as available for use in our current operations.

As of June 30, 2017 and July 1, 2016, all of our high-quality marketable debt securities were invested in prime money market funds and were classified as cash equivalents except for $0.3 million and $0.2 million, respectively, in short-term investments.

Cash and cash equivalents that are restricted as to withdrawal or usage under the terms of contractual agreements are recorded as restricted cash. At June 30, 2017, our short-term restricted cash mainly included cash balances at one of our international subsidiaries. At July 1, 2016, our short-term restricted cash included $0.6 million of restricted cash in one of our Africa subsidiaries related to a severance amount paid to a former employee in the first quarter of fiscal 2017. We accrued the severance in restructuring liabilities as of July 1, 2016. Our long-term restricted cash included cash balance in our disability insurance voluntary plan account that cannot be used by us for any operating purposes other than to pay benefits to the insured employees and was recorded in other assets in our consolidated balance sheets and the corresponding liabilities were included in other long-term liabilities in our consolidated balance sheets.

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.

Accounts receivable is presented net of 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 the economic status of the customers. The fair value of our accounts receivable approximates their net realizable value.

We regularly require letters of credit from some customers and, from time to time, we discount these letters of credit issued by customers through various financial institutions. The discounting of letters of credit depends on many factors, including the willingness of financial institutions to discount the letters of credit and the cost of such arrangements. Under these arrangements, collection risk is fully transferred to the financial institutions. We record the financing charges on discounting these letters of credit as interest expense.

During fiscal 2017, 2016 and 2015, we had one customer in Africa, Mobile Telephone Networks Group ("MTN Group") that accounted for 14%, 18% and 14%, respectively, of our total revenue. As of June 30, 2017 and July 1, 2016, MTN Group accounted for approximately 26% and 22%, respectively, of our accounts receivable. As of July 1, 2016, Motorola accounted for approximately 11% of our accounts receivable. No other customers accounted for more than 10% of our revenue or accounts receivable for the years presented. The loss of all business from MTN Group, Motorola, or any other significant customers, could adversely affect our results of operations, cash flows and financial position.

Financial instruments that potentially subject us to a concentration of credit risk consist principally of cash equivalents, marketable debt securities, trade accounts receivable and financial instruments used in foreign currency hedging activities. We invest our excess cash primarily in prime money market funds and certificates of deposit. We are exposed to credit risks related to such instruments in the event of default or decrease in credit-worthiness of the issuers of the investments.

We perform ongoing credit evaluations of our customers and generally do not require collateral on accounts receivable, as the majority of our customers are large, well-established companies. However, in certain circumstances, we may require letters of credit, additional guarantees or advance payments. We maintain allowances for collection losses, but historically have not experienced any significant losses related to any particular geographic area. Our

customers are primarily in the telecommunications industry, so our accounts receivable are concentrated within one industry and exposed to concentrations of credit risk within that industry. Accounts receivable are written off when attempts to collect outstanding amounts have been exhausted or there are other indicators that the amounts are no longer collectible.

We rely on third parties to manufacture our products and we purchase raw materials from third-party vendors. We outsource our manufacturing services to two independent manufacturers. In addition, we purchase certain strategic component inventory which is consigned to our third-party manufacturers. Other components included in our products are sourced from various suppliers and are principally industry standard parts and components that are available from multiple vendors. The inability of a contract manufacturer or supplier to fulfill our supply requirements or changes in their financial or business condition could disrupt our ability to supply quality products to our customers, and thereby may have a material adverse effect on our business and operating results.

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

Inventories

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

Customer Service Inventories

Our customer service inventories are stated at the lower of cost or market. We carry service parts because we generally provide product warranty for 12 to 36 months and earn revenue by providing enhanced and extended warranty and repair service during and beyond this warranty period. Customer service inventories consist of both component parts, which are primarily used to repair defective units, and finished units, which are provided for customer use permanently or on a temporary basis while the defective unit is being repaired. We record adjustments to reduce the carrying value of customer service inventories to their net realizable value. Factors influencing these adjustments include product life cycles, end of service life plans and volume of enhanced or extended warranty service contracts. Estimates of net realizable value involve significant estimates and judgments about the future, and revisions would be required if these factors differ from our estimates.

Property, Plant and Equipment

Property, plant and equipment are stated on the basis of cost less accumulated depreciation and amortization. We capitalize costs of software, consulting services, hardware and other related costs incurred to purchase or develop internal-use software. We expense costs incurred during preliminary project assessment, re-engineering, training and application maintenance.

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

Buildings	40 years
Leasehold improvements	2 to 10 years
Software	3 to 5 years
Machinery and equipment	2 to 5 years

Expenditures for maintenance and repairs are charged to expense as incurred. Cost and accumulated depreciation of assets sold or retired are removed from the respective property accounts, and any gain or loss is reflected in the consolidated statements of operations.

Impairment of Long-Lived Assets

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

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

Warranties

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

Many of our products are manufactured to customer specifications and their acceptance is based on meeting those specifications. Factors that affect our warranty liabilities include the number of product units subject to warranty protection, 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 liabilities as necessary.

Noncontrolling interests

A noncontrolling interest represents the equity interest in a subsidiary that is not attributable, either directly or indirectly, to Aviat Networks and is reported as our equity, separately from our controlling interests. The noncontrolling interests relate to our ownership interest in a subsidiary company in South Africa with a local partner, where we are the majority owner at 51%. Revenues, expenses, gains, losses, net loss and other comprehensive income (loss) are reported in the consolidated financial statements at the consolidated amounts, which include the amounts attributable to both the controlling and noncontrolling interests.

Operating Leases

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

Foreign Currency Translation

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

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

Gains and losses resulting from foreign exchange transactions and revaluation of monetary assets and liabilities in non-functional currencies are included in either cost of product sales and services or other income (expense) in the accompanying consolidated statements of operations, based on the nature of the transactions. Net foreign exchange loss recorded in our consolidated statements of operations during fiscal 2017, 2016 and 2015 was as follows:

	Fiscal Year		
(In thousands)	2017	2016	2015
Amount included in costs of revenues	$ (847)	$ (556)	$ (3,308)
Amount included in other income (expense)	135	(1,245)	—
Total foreign exchange loss, net	$ (712)	$ (1,801)	$ (3,308)

Retirement Benefits

As of June 30, 2017, we provided retirement benefits to substantially all employees primarily through our defined contribution retirement plans. These plans have matching and savings elements. Contributions by us to these retirement plans are based on profits and employees' savings with no other funding requirements. We halted making matching contributions to the U.S. plan from the second quarter of fiscal 2014 through the end of fiscal 2015. We resumed making contributions to the plans in fiscal 2016.

Contributions to retirement plans are expensed as incurred. Retirement plan expense amounted to $1.8 million, $2.0 million and $1.7 million in fiscal 2017, 2016 and 2015, respectively.

Revenue Recognition

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

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

Revenue from services includes certain installation, extended warranty, customer support, consulting, training and education. It also can include certain revenue generated from the resale of equipment purchased on behalf of customers for installation service contracts we perform for customers. Such equipment may include towers, antennas, and other related materials. Maintenance and support services are generally offered to our customers over a specified period of time and from sales and subsequent renewals of maintenance and support contracts.

We recognize revenue when the earnings process is complete as evidenced by persuasive evidence of an arrangement, delivery has occurred, the sales price is fixed or determinable and collectability is reasonably assured. Revenue is recognized net of allowances for returns, discounts and any taxes collected from customers and subsequently remitted to governmental authorities. Delivery does not occur until products have been shipped or services have been provided to the customer, title and risk of loss has transferred to the customer, and (if applicable) either customer acceptance has been obtained or customer acceptance provisions have lapsed. The sales price is not considered to be fixed or determinable until all contingencies related to the sale have been resolved. Revenue from net product sales is recognized when title and risk of loss has transferred to the customer and there are no unfulfilled company obligations that affect the customer's final acceptance of the arrangement. We recognize maintenance and support services revenue ratably over the maintenance or service period. Professional services revenue consists of fees we earn related to consulting and educational services. We recognize revenue from professional services as the services are performed or upon written acceptance from customers, if applicable, or acceptance provisions have lapsed assuming all other conditions for revenue recognition noted above have been met.

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

When a sale involves multiple deliverables, the entire fee from the arrangement is allocated to each unit of accounting based on the relative selling price of each deliverable. When applying the relative selling price method, the accounting principles establish a hierarchy to determine the selling price to be used for allocating revenue to deliverables as follows: (i) vendor-specific objective evidence ("VSOE"), (ii) third-party evidence of selling price ("TPE") and (iii) best estimate of the selling price ("ESP"). Generally, we are not able to determine TPE because our go-to-market strategy differs from that of our peers and our offerings contain a significant level of differentiation such that the comparable pricing of products with similar functionality cannot be obtained. When we are unable to establish a selling price using VSOE or TPE, we use ESP to allocate the arrangement fees to the deliverables. Revenue allocated to each element is then recognized when the other revenue recognition criteria are met for each element. There is generally no customer right of return in our sales agreements. The sequence for typical multiple element arrangements: we deliver our products, perform installation services and then provide post-contract support services.

ESP is determined by considering a number of factors including our pricing policies, internal costs and gross margin objectives, method of distribution, information gathered from experience in customer negotiations, market research and information, recent technological trends, competitive landscape and geographies. The determination of ESP is approved by our management taking into consideration our pricing strategy. We regularly review VSOE, TPE and ESP and maintain internal controls over the establishment and updating of these estimates.

Revenues related to long-term contracts for customized network solutions are recognized using the percentage-of-completion method. In using the percentage-of-completion method, we generally apply the cost-to-cost method of accounting where sales and profits are recorded based on the ratio of costs incurred to estimated total costs at completion. 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. If circumstances arise that change the original estimates of revenues, costs, or extent of progress toward completion, revisions to the estimates are made. These revisions may result in increases or decreases in estimated revenues or costs, and such revisions are reflected in income in the period in which the circumstances that gave rise to the revision become known by the company. We perform ongoing profitability analysis of our services contracts accounted for under the percentage-of-completion method in order to determine whether the latest estimates of revenues, costs and profits require updating. If at any time these estimates indicate that the contract will be unprofitable, the entire estimated loss for the remainder of the contract is recorded immediately. We establish billing terms at the time project deliverables and milestones are agreed. Revenues recognized in excess of the amounts invoiced to clients are classified as unbilled receivables in our consolidated balance sheets.

We reserve for estimated product returns as an offset to revenue or deferred revenue based primarily on historical trends. Actual product returns may be different than what was estimated. These factors and unanticipated changes in the economic and industry environment could make actual results differ from our return estimates.

We also consider whether contracts should be combined when specific aggregation criteria are met including when the contracts are in substance an arrangement to perform a single project with a customer; the contracts are negotiated as a package in the same economic environment with an overall profit objective; and 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.

Cost of Product Sales and Services

Cost of sales consists primarily of materials, labor and overhead costs incurred internally and amounts incurred for 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.

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

Advertising Costs

We expense all advertising costs as incurred. Advertising costs were immaterial during fiscal 2017, 2016 and 2015.

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

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

Research and Development Costs

Our 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.

Share-Based Compensation

We estimate the grant date fair value of our share-based awards and amortize this fair value to compensation expense over the requisite service period or vesting term. To estimate the fair value of our stock option awards, we use the Black-Scholes option pricing model. The determination of the fair value of stock option 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 awards and units and performance share awards and units, we measure the grant date fair value based upon the market price of our common stock on the date of the grant. The fair value of each market-based stock unit with market conditions was estimated using the Monte-Carlo simulation model.

We generally recognize compensation cost for share-based payment awards on a straight-line basis over the requisite service period. For an award that has a graded vesting schedule, compensation expense is recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards. The amount of compensation cost recognized at any date must at least equal the portion of the grant-date value of the award that is vested at that date.

For awards with a performance condition vesting feature, we recognize share-based compensation costs for the performance awards and units when achievement of the performance conditions is considered probable. Any previously recognized compensation cost would be reversed if the performance condition is not satisfied or if it is not probable that the performance conditions will be achieved. For awards with a market condition vesting feature, we recognize share-based compensation costs over the period the requisite service is rendered, regardless of when, if ever, the market condition is satisfied.

During the fourth quarter of fiscal 2017, we adopted Accounting Standards Update ("ASU") 2016-09 and elected to account for forfeitures as they occur. Refer to accounting standards adopted below for changes to the accounting for share-based compensation expense.

Restructuring Charges

Our restructuring charges represent expenses incurred in connection with certain cost reduction programs that we have implemented, and consisted of the costs of employee termination costs, lease and other contract termination charges and other costs of exiting activities or geographies. A liability for costs associated with an exit or disposal activity is measured at its fair value when the liability is incurred. Expenses for one-time termination benefits are recognized at the date we notify the employee, unless the employee must provide future service, in which case the benefits are expensed ratably over the future service period. We recognize severance benefits provided as part of an ongoing benefit arrangement when the payment is probable and the amounts can be reasonably estimated. Liabilities related to termination of an operating lease or contract are measured and recognized at fair value when the contract does not have any future economic benefit to the entity and the fair value of the liability is determined based on the present value of the

remaining lease obligations, adjusted for the effects of deferred items recognized under the lease, and reduced by estimated sublease rentals that could be reasonably obtained for the property. The assumptions in determining such estimates include anticipated timing of sublease rentals and estimates of sublease rental receipts and related costs based on market conditions. We expense all other costs related to an exit or disposal activity as incurred.

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 as well as operating loss and tax credit carry forwards. 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 as well as operating loss and tax credit carry forwards. 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 taxes take into account current tax laws, our interpretation of current tax laws, and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax laws or our interpretation of tax laws and the resolution of current and future tax audits could significantly impact the amounts provided for income taxes in our consolidated balance sheets and consolidated statements of operations. We must also assess the likelihood that deferred tax assets will be realized from future taxable income and, based on this assessment, establish a valuation allowance, if required. Our determination of our valuation allowance is based upon a number of assumptions, judgments, and estimates, including forecasted earnings, future taxable income, and the relative proportions of revenue and income before taxes in the various domestic and international jurisdictions in which we operate. To the extent we establish a valuation allowance or change the valuation allowance in a period, we reflect the change with a corresponding increase or decrease to our tax provision in our consolidated statements of operations.

We use a two-step process to determine the amount of tax benefit to be recognized for uncertain tax positions. 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.

Accounting Standards Adopted

In May 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2017-09, *Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting*. The amendment provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under Accounting Standards Codification ("ASC") 718.The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017, with early adoption permitted. The amendment in this ASU should be applied prospectively to an award modified on or after the adoption date. We adopted this standard during the fourth quarter of fiscal 2017.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The guidance addresses diversity in practice that exists in the classification and presentation of changes in restricted cash and requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. We adopted this standard during the fourth quarter of fiscal 2017 with no material impact on our consolidated financial statements and disclosures.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows, Clarification of Certain Cash Receipts and Cash Payments*, which provides guidance on the presentation and classification of eight specific cash flow issues.

We adopted this standard during the fourth quarter of fiscal 2017. There was no reclassification impact resulted from the adoption on our consolidated statements of cash flows for fiscal year 2016 and fiscal year 2015, and such statements have been presented in accordance with this new guidance.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting (Topic 718)*, which simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, forfeiture, statutory tax withholding requirements, and classification on the statement of cash flows. We adopted this standard during the fourth quarter of fiscal 2017 and elected to account for forfeitures as they occur using a modified retrospective transition method. The change from the current method of estimating forfeitures resulted in a cumulative-effect adjustment of approximately $9 thousand, which we recorded as expense in fiscal 2017. The guidance also requires companies to record excess tax benefits and tax deficiencies as income tax benefit or expense in the statement of operations prospectively when share-based awards vest or are settled. The adoption had no impact on our deferred tax assets and the fiscal 2017 opening accumulated deficit balance because we had no historical excess tax benefit related tax attributes. We also elected to apply the change in cash flow classification of excess tax benefits prospectively, resulting in no reclassification of our consolidated statements of cash flows.

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest (Topic 835-30), Simplifying the Presentation of Debt Issuance Costs*. To simplify the presentation of debt issuance costs, the standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued ASU No. 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements.* This ASU includes an SEC staff announcement that the SEC staff would not object to an entity deferring and presenting the costs of securing a revolving line of credit as an asset, and amortizing the costs over the term of the line-of-credit arrangement, regardless of there are any outstanding borrowings on the line-of-credit arrangement. The subject of this ASU was not previously addressed by ASU No. 2015-03. We have adopted both accounting guidance during the first quarter of fiscal 2017 and applied its provisions retrospectively. The adoption of these standards had no material impact on our consolidated financial statements and related disclosures.

Accounting Standards Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09 (ASC Topic 606), *Revenue from Contracts with Customers*, which along with amendments issued in 2015 and 2016, will supersede nearly all current U.S. GAAP guidance on this topic and eliminate industry-specific guidance. The amendments are based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additional disclosures will also be required to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This accounting standard update, as amended, will be effective for us in the first quarter of fiscal year 2019. The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized in retained earnings as of the date of adoption. We are in process of evaluating the impact of the standard update. The ultimate impact on revenue resulting from the application of the new standard will be subject to assessments that are dependent on many variables, including, but not limited to, the terms of our contractual arrangements and our mix of business. We have established a cross-functional implementation team to implement the standard update related to the recognition of revenue from contracts with customers. We have identified and are in the process of evaluating changes to our systems, processes and internal controls to meet the reporting and increased disclosure requirements associated with this standard update. We expect the timing of revenue recognition to change in certain areas, including our services segment’s installation revenue, which upon adoption will be recognized as revenue and costs over a period of time. Also, since we currently expense sales commissions as incurred, the requirement in the new standard to capitalize certain in-scope sales commissions is being evaluated to determine its potential impact in the consolidated financial statements in the year of adoption. We expect to adopt the new standard on a modified retrospective basis in the first quarter of fiscal 2019. We are continuing to assess all potential impacts of the guidance and given normal ongoing business dynamics, preliminary conclusions are subject to change.

In October 2016, the FASB issued ASU 2016-16 *Income Taxes (Topic 740), Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory*, which requires that an entity recognizes the tax expense from the sale of intra-entity sales of assets, other than inventory, in the seller’s tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. The guidance will be effective for our fiscal year 2019. Early adoption is permitted. The ASU must be adopted using a modified retrospective method. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which introduces the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. This standard will become effective for interim and annual periods beginning after December 15, 2018, with early adoption permitted. The guidance is required to be adopted at the earliest period presented using a modified retrospective approach. We expect that most of our operating lease commitments will be subject to the new standard and recognized as right-of-use assets and operating lease liabilities upon the adoption of ASU 2016-02. We are evaluating the effect the adoption of the standard will have on our consolidated financial statements and related disclosures.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance retains the current accounting for classifying and measuring investments in debt securities and loans, but requires equity investments to be measured at fair value with subsequent changes recognized in net income, except for those accounted for under the equity method or requiring consolidation. The guidance also changes the accounting for investments without a readily determinable fair value and that do not qualify for the practical expedient to estimate fair value. A policy election can be made for these investments whereby estimated fair value may be measured at cost and adjusted in subsequent periods for any impairment or changes in observable prices of identical or similar investments. This ASU is effective for fiscal years beginning after December 15, 2017. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11 *Inventory (Topic 330), Simplifying the Measurement of Inventory*, which provides guidance to companies who account for inventory using either the first-in, first-out ("FIFO") or average cost methods. The guidance states that companies should measure inventory at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This ASU is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

Note 2. Accumulated Other Comprehensive Loss

The changes in components of our accumulated other comprehensive loss during fiscal 2017, 2016 and 2015 were as follows:

(In thousands)	Foreign Currency Translation Adjustment ("CTA")	Hedging Derivatives	Total Accumulated Other Comprehensive Income (Loss)
Balance as of June 27, 2014	$ (2,997)	$ 34	$ (2,963)
Other comprehensive loss before reclassification	(5,672)	(314)	(5,986)
Less: reclassification for amounts included in net loss	—	321	321
Balance as of July 3, 2015	(8,669)	41	(8,628)
Other comprehensive loss before reclassification	(2,488)	—	(2,488)
Less: reclassification for amounts included in net loss	—	(41)	(41)
Balance as of July 1, 2016	(11,157)	—	(11,157)
Other comprehensive loss before reclassification	(279)	—	(279)
Less: reclassification for amounts included in net loss	(349)	—	(349)
Balance as of June 30, 2017	$ (11,785)	$ —	$ (11,785)

No income tax benefits were allocated to other comprehensive loss in fiscal 2017, 2016 and 2015.

In fiscal 2017, 2016 and 2015, the realized gain (loss) reclassified out of accumulated other comprehensive loss were included in the following line item locations in our consolidated statements of operations:

(In thousands)	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Revenues	$ —	$ —	$ (378)
Cost of revenues	—	41	57
Other income (expense)	349	—	—
	$ 349	$ 41	$ (321)

Note 3. Net Loss per Share of Common Stock

Net loss per share is computed using the two-class method, by dividing net loss attributable to us by the weighted average number of common shares and participating securities outstanding during the period. Our restricted shares contain rights to receive non-forfeitable dividends and therefore are considered to be participating securities and included in the calculations of net income per basic and diluted common share. Undistributed losses are not allocated to unvested restricted shares because the unvested restricted shares are not contractually obligated to share our losses. The impact on earnings per share of the participating securities under the two-class method was immaterial.

As we incurred net loss for all periods in fiscal 2017, 2016 and 2015, the effect of outstanding stock options, restricted stock awards and units and performance share awards and units were anti-dilutive and therefore were excluded from the diluted net loss per share calculations. The following table summarizes the potential shares of common stock that were excluded from the diluted net loss per share calculations:

(In thousands)	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Stock options	410	538	613
Restricted stock awards and units and performance share awards and units	403	258	42
Total potential shares of common stock excluded	813	796	655

Note 4. Balance Sheet Components

Cash, Cash Equivalents, and Restricted Cash

The following table provides a summary of cash, cash equivalents, and restricted cash reported within the Consolidated Balance Sheets that reconciles to the corresponding amount in the Consolidated Statements of Cash Flows:

(In thousands)	June 30, 2017	July 1, 2016
Cash and cash equivalents	$ 35,658	$ 30,479
Restricted cash	541	558
Restricted cash included in Other assets	370	388
Total cash, cash equivalents, and restricted cash in the Statements of Cash Flows	$ 36,569	$ 31,425

Accounts Receivable, net

Our net accounts receivable is summarized below:

(In thousands)	June 30, 2017	July 1, 2016
Accounts receivable	$ 49,864	$ 71,416
Less: allowances for collection losses	(3,919)	(7,967)
	$ 45,945	$ 63,449

Inventories

Our inventories are summarized below:

(In thousands)	June 30, 2017	July 1, 2016
Finished products	$ 16,619	$ 20,044
Work in process	3,088	5,104
Raw materials and supplies	2,087	2,145
Total inventories	$ 21,794	$ 27,293
Deferred cost of revenue included within finished goods	$ 7,120	$ 5,984
Consigned inventories included within raw materials	$ 1,268	$ 2,035

During fiscal 2017, 2016 and 2015, we recorded charges to adjust our inventory and customer service inventory due to excess and obsolete inventory resulting from lower sales forecast, product transitioning or discontinuance. Such charges incurred during fiscal 2017, 2016 and 2015 were classified in cost of product sales as follows:

	Fiscal Year		
(In thousands)	2017	2016	2015
Excess and obsolete inventory charges	$ 39	$ 9,175	$ 6,291
Customer service inventory write-downs	1,098	693	1,752
	$ 1,137	$ 9,868	$ 8,043
As % of revenue	0.5%	3.7%	2.4%

Property, Plant and Equipment, net

Our property, plant and equipment, net are summarized below:

(In thousands)	June 30, 2017	July 1, 2016
Land	$ 710	$ 710
Buildings and leasehold improvements	11,442	11,714
Software	14,803	14,620
Machinery and equipment	43,174	42,960
	70,129	70,004
Less accumulated depreciation and amortization	(53,723)	(51,842)
	$ 16,406	$ 18,162

Depreciation and amortization expense related to property, plant and equipment, including amortization of internal use software and capital lease equipment, was $5.8 million, $6.6 million and $7.2 million, respectively, in fiscal 2017, 2016 and 2015.

Accrued Expenses

Our accrued expenses are summarized below:

(In thousands)	June 30, 2017	July 1, 2016
Accrued compensation and benefits	$ 8,317	$ 7,161
Accrued agent commissions	1,911	3,551
Accrued warranties	3,056	3,944
Other	8,649	8,549
	$ 21,933	$ 23,205

We accrue for the estimated cost to repair or replace products under warranty. Changes in our warranty liability, which is included as a component of accrued expenses in the consolidated balance sheets were as follows:

(In thousands)	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Balance as of the beginning of the fiscal year	$ 3,944	$ 4,221	$ 3,777
Warranty provision recorded during the period	1,604	3,462	5,595
Consumption during the period	(2,492)	(3,739)	(5,151)
Balance as of the end of the period	$ 3,056	$ 3,944	$ 4,221

Advanced payments and Unearned Income

Our advanced payments and unearned income are summarized below:

(In thousands)	June 30, 2017	July 1, 2016
Advanced payments	$ 8,760	$ 12,124
Unearned income	11,244	18,491
	$ 20,004	$ 30,615

Note 5. Fair Value Measurements of Assets and Liabilities

Fair value is defined 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 maximize the use of observable inputs and minimize the use of unobservable inputs in measuring fair value and establish a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2 — Observable market-based inputs or observable inputs that are corroborated by market data; and
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying amounts, estimated fair values and valuation input levels of our assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2017 and July 1, 2016 were as follows:

(In thousands)	June 30, 2017 Carrying Amount	June 30, 2017 Fair Value	July 1, 2016 Carrying Amount	July 1, 2016 Fair Value	Valuation Inputs
Assets:					
Cash and cash equivalents:					
Money market funds	$ 22,059	$ 22,059	$ 18,800	$ 18,800	Level 1
Bank certificates of deposit	$ 66	$ 66	$ 11	$ 11	Level 2
Short-term investments:					
Bank certificates of deposit	$ 264	$ 264	$ 222	$ 222	Level 2
Other current assets:					
Foreign exchange forward contracts	$ —	$ —	$ 5	$ 5	Level 2
Liabilities:					
Other accrued expenses:					
Foreign exchange forward contracts	$ 5	$ 5	$ 9	$ 9	Level 2

We classify items within Level 1 if quoted prices are available in active markets. Our Level 1 items mainly are money market funds purchased from two major financial institutions. As of June 30, 2017, these money market funds were valued at $1.00 net asset value per share by these financial institutions.

We classify items in Level 2 if the observable inputs to quoted market prices, benchmark yields, reported trades, broker/dealer quotes or alternative pricing sources are available with reasonable levels of price transparency. Our bank certificates of deposit and foreign exchange forward contracts are classified within Level 2. Foreign currency forward contracts are measured at fair value using observable foreign currency exchange rates. The assets and liabilities related to our foreign currency forward contracts were not material as of June 30, 2017 and July 1, 2016. We did not have any recurring assets or liabilities that were valued using significant unobservable inputs.

Our policy is to recognize asset or liability transfers among Level 1, Level 2 and Level 3 as of the actual date of the events or change in circumstances that caused the transfer. During fiscal 2017, 2016 and 2015, we had no transfers between levels of the fair value hierarchy of our assets or liabilities measured at fair value.

Note 6. Credit Facility and Debt

On March 28, 2014, we entered into a Second Amended and Restated Loan Agreement with Silicon Valley Bank (the "SVB Credit Facility"). The SVB Credit Facility was amended on September 25, 2014, October 30, 2014 and December 2, 2014 to provide for extensions to the deadline for preparing and filing our fiscal 2014 financial statements with the SEC. On February 27, 2015, the SVB Credit Facility was further amended to provide for certain amendments to the financial covenants, borrowing base and an early termination fee if the SVB Credit Facility is terminated prior to its expiration. In March 2016, we amended the SVB Credit Facility to amend financial covenants and to reduce the maximum borrowing capacity from $40.0 million to $30.0 million. In June 2016, we amended the SVB Credit Facility to amend the minimum EBITDA covenant; to create a new sub-limit for letters of credit issued under the revolving credit facility of $12.0 million; to reduce the advance rate applicable to Singapore Borrower's eligible accounts in the calculation of the borrowing base of the revolving credit facility; to increase the interest rate margins applicable to revolving loans made to Singapore Borrower by 2.00% above the applicable margin; and to extend the maturity date to June 30, 2018. In June 2017, the SVB Credit Facility was amended to exclude certain guarantee, indemnity and similar agreements from the borrowing base calculations and to extend the effective date to July 15, 2017 for the requirement that we obtain credit insurance on the receivables of the Singapore Borrower to be included in the borrowing base. The SVB Credit Facility carries an interest rate computed at the daily prime rate as published in the Wall Street Journal plus a spread of 0.50% to 1.50%, with such spread determined based on our adjusted quick ratio. During fiscal 2017, the weighted average interest rate on our outstanding loan was 4.21%. As of June 30, 2017 and July 1, 2016, our outstanding debt balance under the SVB Credit Facility was $9.0 million, and the interest rate was 4.75% and 4.00% respectively.

The SVB Credit Facility provides for a committed amount of up to $30.0 million, with a $30.0 million sublimit that can be borrowed by our Singapore subsidiary. Borrowings may be advanced under the SVB Credit Facility at the lesser of $30.0 million or a borrowing base equal to a specified percentage of the value of eligible accounts receivable and U.S. unbilled accounts of the Company, subject to certain reserves and eligibility criteria. The SVB Credit Facility can also be utilized to issue letters of credit with a $12.0 million sublimit. If the SVB Credit Facility is terminated by us in certain circumstances prior to its expiration, we are subject to an early termination fee equal to 1.00% of the revolving line. As of June 30, 2017, available credit under the SVB Credit Facility was $5.8 million reflecting the calculated borrowing base of $20.0 million less existing borrowings of $9.0 million and outstanding letters of credit of $5.2 million.

The SVB Credit Facility contains quarterly financial covenants including minimum adjusted quick ratio and minimum profitability (EBITDA) requirements. In the event our adjusted quick ratio falls below a certain level, cash received in our accounts with SVB may be directly applied to reduce outstanding obligations under the SVB Credit Facility. The SVB Credit Facility also imposes certain restrictions on our ability to dispose of assets, permit a change in control, merge or consolidate, make acquisitions, incur indebtedness, grant liens, make investments, make certain restricted payments and enter into transactions with affiliates under certain circumstances. Certain of our assets, including accounts receivable, inventory, and equipment, are pledged as collateral for the SVB Credit Facility. Upon an event of default, outstanding obligations would be immediately due and payable. Under certain circumstances, a default interest rate will apply on all obligations during the existence of an event of default at a per annum rate of interest equal to 2.00% above the applicable interest rate. As of June 30, 2017, we were in compliance with the quarterly financial covenants, as amended, contained in the SVB Credit Facility. However, we have historically amended the agreement to revise financial covenants and the fact that the SVB Credit Facility contains subjective acceleration clauses that could be triggered by the lender, the $9.0 million borrowing was classified as a current liability as of June 30, 2017 and July 1, 2016.

We also obtained an uncommitted short-term line of credit of $0.4 million from a bank in New Zealand to support the operations of our subsidiary located there in fiscal 2015. This line of credit provides for $0.3 million in short-term advances at various interest rates, all of which was available as of June 30, 2017. The line of credit also provides for the

issuance of standby letters of credit and company credit cards, of which $0.1 million was outstanding as of June 30, 2017. This facility may be terminated upon notice, is reviewed annually for renewal or modification, and is supported by a corporate guarantee.

Note 7. Restructuring Activities

The following tables summarize our restructuring related activities during fiscal year 2017, 2016 and 2015:

	Severance and Benefits				
(In thousands)	Fiscal 2016-2017 Plan	Fiscal 2015-2016 Plan	Fiscal 2014-2015 Plan	Fiscal 2013-2014 Plan	Total
Balance as of June 27, 2014	$ —	$ —	$ 1,290	$ 214	$ 1,504
Charges, net	—	2,862	(29)	(43)	2,790
Cash payments	—	(2,212)	(1,261)	(65)	(3,538)
Balance as of July 3, 2015	—	650	—	106	756
Charges, net	2,210	344	—	(6)	2,548
Cash payments	(698)	(637)	—	(32)	(1,367)
Balance as of July 1, 2016	1,512	357	—	68	1,937
Charges, net	345	36	—	—	381
Cash payments	(1,542)	(294)	—	(4)	(1,840)
Balance as of June 30, 2017	$ 315	$ 99	$ —	$ 64	$ 478

	Facilities and Other			
(In thousands)	Fiscal 2015-2016 Plan	Fiscal 2014-2015 Plan	Fiscal 2013-2014 Plan	Total
Balance as of June 27, 2014	$ —	$ 92	$ 3,572	$ 3,664
Charges, net	641	1,306	130	2,077
Cash payments	(8)	(608)	(1,371)	(1,987)
Balance as of July 3, 2015	633	790	2,331	3,754
Charges, net	(62)	77	(108)	(93)
Cash payments	(21)	(584)	(1,373)	(1,978)
Noncash adjustments	—	299	896	1,195
Balance as of July 1, 2016	550	582	1,746	2,878
Charges, net	—	162	46	208
Cash payments	13	(576)	(1,287)	(1,850)
Balance as of June 30, 2017	$ 563	$ 168	$ 505	$ 1,236

In June 2016, we entered into a lease termination agreement for our headquarters lease in Santa Clara, California ("Termination Agreement"). The noncash adjustments in the table above represents a $1.2 million deferred rent credit write-off to the restructuring expenses. Under the Termination Agreement, we agreed to pay a termination fee of $1.9 million payable over 14 months. The unpaid termination fee was included in the restructuring liabilities as of June 30, 2017 under the Fiscal 2014-2015 Plan and the Fiscal 2013-2014 Plan.

As of June 30, 2017, $1.5 million of the accrual balance was in short-term restructuring liabilities while $0.2 million was included in other long-term liabilities on the consolidated balance sheets.

Fiscal 2016-2017 Plan

During the fourth quarter of fiscal 2016, we initiated a restructuring plan (the "Fiscal 2016-2017 Plan") to streamline our operations and align expenses with current revenue levels. Activities under the Fiscal 2016-2017 Plan primarily include reductions in workforce in marketing, selling and general and administrative functions. We have substantially complete the remaining restructuring activities under the Fiscal 2016-2017 Plan by the end of fiscal 2017. Payments related to the accrued restructuring liability balance for this plan will be paid through fiscal 2018.

Fiscal 2015-2016 Plan

During the third quarter of fiscal 2015, with the intent to bring our operational cost structure in line with the changing dynamics of the microwave radio and telecommunications markets, we initiated a restructuring plan (the “Fiscal 2015-2016 Plan”) to lower fixed overhead costs and operating expenses and to preserve cash flow. Activities under the Fiscal 2015-2016 Plan primarily include reductions in workforce across the Company, but primarily in operations outside the United States. We have substantially completed the restructuring activities under the Fiscal 2015-2016 Plan as of July 1, 2016. Payments related to the accrued restructuring liability balance for this plan is expected to be paid through fiscal 2020.

Fiscal 2014-2015 Plan

During the third quarter of fiscal 2014, in line with the decrease in revenue that we experienced and our reduced forecast for the immediate future, we initiated a restructuring plan (the “Fiscal 2014-2015 Plan”) to reduce our operating costs, primarily in North America, Europe and Asia. Activities under the Fiscal 2014-2015 Plan primarily include reductions in workforce and additional facility downsizing of our Santa Clara, California headquarters. We have substantially completed the restructuring activities under the Fiscal 2014-2015 Plan as of July 1, 2016. Payments related to the accrued restructuring liability balance for this plan will be paid through fiscal 2018.

Fiscal 2013-2014 Plan

During the fourth quarter of fiscal 2013, we initiated a restructuring plan (the “Fiscal 2013-2014 Plan”) that was intended to reduce our operating expenses primarily in North America, Europe and Asia. Activities under the Fiscal 2013-2014 Plan included reductions in workforce and facility downsizing of our Santa Clara, California headquarters and certain international field offices. We substantially completed the restructuring activities under the Fiscal 2013-2014 Plan as of June 27, 2014. Payments related to the accrued restructuring liability balance for this plan will be paid through fiscal 2018.

Note 8. Stockholders’ Equity

As discussed in Note 1, on June 14, 2016, we effected a 1-for-12 reverse stock split of our common stock. All share and per share data in this note have been retroactively adjusted to reflect this reverse stock split.

Stock Incentive Programs

2007 Stock Equity Plan

As of June 30, 2017, we had one stock incentive plan for our employees and nonemployee directors, the 2007 Stock Equity Plan, as amended and restated effective November 13, 2015 (the “2007 Stock Plan”). The 2007 Stock Plan provides for accelerated vesting of certain share-based awards if there is a change in control of the Company. The 2007 Stock Plan also provides for the issuance of share-based awards in the form of stock options, stock appreciation rights, restricted stock awards and units, and performance share awards and units. We have various incentive programs under the 2007 Stock Plan, including annual and long-term incentive programs (“AIP” or “LTIP”).

Under the 2007 Stock Plan, option exercise prices are equal to the fair market value on the date the options are granted using our closing stock price. Options granted in fiscal 2015 would be fully vested after 3.5 years from the grant date. We did not grant any options in fiscal 2017 and 2016. After vesting, options generally may be exercised within seven years after the date of grant.

Restricted stock unit is not transferable until vested and the restrictions lapse upon the achievement of continued employment or service over a specified time period. Restricted stock unit issued to employees generally vests between three to four years from the date of grant. Restricted stock unit issued to non-executive board members annually generally vests on the day before the annual stockholders’ meeting.

Vesting of performance share awards and unit is subject to the achievement of pre-determined financial performance criteria and continued employment through the end of the applicable period. Market-based stock units vest upon meeting certain pre-determined share price performance criteria and continued employment through the end of the applicable period. The performance criteria of the performance share awards and units and the market-based stock units can be achieved before the end of the vesting period.

We issue new shares of our common stock to our employees upon the exercise of stock options, vesting of restricted stock awards and units or vesting of performance share awards and units. All awards that are canceled prior to vesting or expire unexercised are returned to the approved pool of reserved shares under the 2007 Stock Plan and made available for future grants. Shares of our common stock remaining available for future issuance under the 2007 Stock Plan totaled 270,947 as of June 30, 2017.

On September 6, 2016, the Board authorized and declared a dividend distribution of one right (a "Right") for each outstanding share of our common stock, par value $0.01 per share (the "Common Shares"), to our stockholders of record as of the close of business on September 16, 2016. Each Right entitles the registered holder to purchase from the Company one one-thousandth of a share of Series A Participating Preferred Stock, par value $0.01 per share (the "Preferred Shares"), of the Company at an exercise price of $35.00 (the "Exercise Price") per one one-thousandth of a Preferred Share, subject to adjustment. Until the rights become exercisable, they will not be evidenced by separate certificates and will trade automatically with shares of the Company's common stock. The Rights have a de minimis fair value. The complete terms of the Rights are set forth in a Tax Benefit Preservation Plan (the "Plan"), dated as of September 6, 2016, between the Company and Computershare Inc., as rights agent. By adopting the Plan, we are helping to preserve the value of certain deferred tax benefits, including those generated by net operating losses (collectively, the "Tax Benefits"), which could be lost in the event of an "ownership change" as defined under Section 382 of the Internal Revenue Code of 1986, as amended. The Plan reduces the likelihood that changes in our investor base have the unintended effect of limiting our use of the Tax Benefits.

Also, on September 6, 2016, our Board of Directors adopted certain amendments to our Amended and Restated Certificate of Incorporation, as amended (the "Charter Amendments"). The Charter Amendments are designed to preserve the Tax Benefits by restricting certain transfers of our common stock.

Both the Plan and the Charter Amendments were approved at our 2016 annual meeting of stockholders on November 16, 2016. No actions were taken under the Plan as of June 30, 2017.

Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan ("ESPP"), employees are entitled to purchase shares of our common stock at a 5% discount from the fair market value at the end of a three-month purchase period. As of June 30, 2017, 61,065 shares were reserved for future issuances under the ESPP. We issued 974 shares under the ESPP during fiscal 2017.

Share-Based Compensation

Total following table presents the compensation expense for share-based awards included in our consolidated statements of operations for fiscal 2017, 2016 and 2015:

	Fiscal Year		
(In thousands)	2017	2016	2015
By Expense Category:			
Cost of product sales and services	$ 208	$ 154	$ 151
Research and development	138	110	108
Selling and administrative	1,765	1,572	1,928
Total share-based compensation expense	$ 2,111	$ 1,836	$ 2,187
By Types of Award:			
Options	$ 260	$ 837	$ 1,459
Restricted stock awards and units	1,473	933	688
Performance share awards and units and market-based stock units	378	66	40
Total share-based compensation expense	$ 2,111	$ 1,836	$ 2,187

The following table summarizes the unamortized compensation expense and the remaining years over which such expense would be expected to be recognized, on a weighted-average basis, by type of award:

	June 30, 2017	
	Unamortized Expense	Weighted Average Remaining Recognition Period
	(In thousands)	(Years)
Options	$ 152	1.09
Restricted stock awards and units	$ 2,485	1.79
Performance share awards and units and market-based stock units	$ 900	1.50

Stock Options

A summary of the combined stock option activity under our equity plans during fiscal 2017 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
			(Years)	(In thousands)
Options outstanding as of July 1, 2016	448,359	$ 32.95	3.37	
Granted	—	N/A		
Exercised	(573)	$ 14.88		
Forfeited	(34,282)	$ 33.50		
Expired	(40,799)	$ 74.40		
Options outstanding as of June 30, 2017	372,705	$ 28.39	2.72	$ 167
Options vested and expected to vest as of June 30, 2017	372,705	$ 28.39	2.72	$ 167
Options exercisable as of June 30, 2017	348,506	$ 29.30	2.59	$ 118

The aggregate intrinsic value represents the total pre-tax intrinsic value or the aggregate difference between the closing price of our common stock on June 30, 2017 of $17.40 and the exercise price for in-the-money options that would have been received by the optionees if all options had been exercised on June 30, 2017. The options expected to vest are the result of applying the pre-vesting forfeiture rate assumptions to total outstanding options.

The fair value of each option grant under our 2007 Stock Plan was estimated using the Black-Scholes option pricing model on the date of grant. No options were granted during fiscal 2017 and 2016. A summary of the significant weighted average assumptions we used in the Black-Scholes valuation model is as follows:

	Fiscal Year
	2015
Expected dividends	—%
Expected volatility	53.9%
Risk-free interest rate	1.13%
Expected term (years)	4.25
Weighted average grant date fair value per share granted	$ 6.60

The following summarizes all of our stock options outstanding and exercisable as of June 30, 2017:

Actual Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
		(Years)			
$14.88 — $15.60	82,615	4.59	$ 15.38	58,416	$ 15.38
$20.64 — $27.36	83,863	2.56	$ 26.17	83,863	$ 26.17
$27.72 — $30.72	70,725	1.64	$ 29.28	70,725	$ 29.28
$31.20 — $31.20	74,462	3.19	$ 31.20	74,462	$ 31.20
$32.52 — $62.16	56,222	1.10	$ 42.33	56,222	$ 42.33
$71.04 — $71.04	4,818	0.69	$ 71.04	4,818	$ 71.04
$14.88 — $71.04	372,705	2.72	$ 28.39	348,506	$ 29.30

Additional information related to our stock options is summarized below:

(In thousands)	Fiscal Year 2017	2016	2015
Intrinsic value of options exercised	$ 3	$ —	$ —
Fair value of options vested	$ 654	$ 1,395	$ 1,990

Restricted Stock Awards and Units

A summary of the status of our restricted stock as of June 30, 2017 and changes during fiscal 2017 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Restricted stock outstanding as of July 1, 2016	210,596	$ 12.01
Granted	237,874	$ 9.66
Vested and released	(55,178)	$ 9.40
Forfeited	(14,277)	$ 12.29
Restricted stock outstanding as of June 30, 2017	379,015	$ 10.91

The fair value of each restricted stock grant is based on the closing price of our common stock on the date of grant. The total fair value of restricted stock that vested during fiscal 2017, 2016 and 2015 was $0.5 million, $0.7 million and $0.6 million, respectively.

Market -Based Stock Units

A summary of the status of our market-based stock units as of June 30, 2017 and changes during fiscal 2017 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Market-based stock units outstanding as of July 1, 2016	149,169	$ 2.56
Granted	50,000	$ 6.83
Forfeited	(55,845)	$ 2.56
Market-based stock units outstanding as of June 30, 2017	143,324	$ 4.05

The fair value of each market-based stock unit with market condition was estimated using the Monte-Carlo simulation model. A summary of the significant weighted average assumptions we used in the Monte Carlo simulation model is as follows:

	Fiscal Year		
	2017	2016	2015
Expected Dividends	—%	—%	N/A
Expected volatility	58.1%	52.4%	N/A
Risk-free interest rate	1.20%	1.21%	N/A
Weighted average grant date fair value per share granted	$ 6.83	$ 2.56	N/A

The fair value of the market-based stock units with market condition criteria is expensed over the derived service period for each separate vesting tranche. If the derived service period is rendered, the total fair value of the award at the date of the grant is recognized as compensation expense even if the market condition is not achieved.

Performance Share Awards and Units

A summary of the status of our performance shares awards and units as of June 30, 2017 and changes during fiscal 2017 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Performance share awards and units outstanding as of July 1, 2016	—	N/A
Granted	72,941	$ 9.18
Forfeited	—	N/A
Performance share awards and units outstanding as of June 30, 2017	72,941	$ 9.18

No performance shares award or unit vested during fiscal 2017 and 2016. The total fair value of performance share awards and units that vested during fiscal 2015 was $0.1 million.

Note 9. Segment and Geographic Information

We operate in one reportable business segment: the design, manufacturing and sale of a range of wireless networking products, solutions and services. We conduct business globally and our sales and support activities are managed on a geographic basis. Our Chief Executive Officer is the Chief Operating Decision Maker (the "CODM"). Our CODM manages our business primarily by function globally and reviews financial information on a consolidated basis, accompanied by disaggregated information about revenues by geographic region, for purposes of allocating resources and evaluating financial performance. The profitability of our geographic region is not a determining factor in allocating resources and the CODM does not evaluate profitability below the level of the consolidated company.

We report revenue by region and country based on the location where our customers accept delivery of our products and services. Revenue by region for 2017, 2016 and 2015 were as follows:

	Fiscal Year		
(In thousands)	2017	2016	2015
North America	$ 132,078	$ 125,482	$ 153,239
Africa and Middle East	60,150	82,742	97,112
Europe and Russia	14,128	20,539	35,990
Latin America and Asia Pacific	35,518	39,927	49,537
Total Revenue	$ 241,874	$ 268,690	$ 335,878

Revenue by country comprising more than 5% of our total revenue for fiscal 2017, 2016 and 2015 were as follows:

(In thousands, except percentages)	Revenue	% of Total Revenue
Fiscal 2017:		
United States	$ 127,889	52.9%
Nigeria	$ 18,147	7.5%
Philippines	$ 13,733	5.7%
Fiscal 2016:		
United States	$ 121,283	45.1%
Nigeria	$ 28,862	10.7%
Fiscal 2015:		
United States	$ 151,066	45.0%
Nigeria	$ 36,459	10.9%

Our long-lived assets, consisting primarily of property, plant and equipment, by geographic areas based on the physical location of the assets as of June 30, 2017 and July 1, 2016 were as follows:

(In thousands)	June 30, 2017	July 1, 2016
United States	$ 5,854	$ 11,353
United Kingdom	2,727	2,946
New Zealand	6,310	2,618
Other countries	1,515	1,245
Total	$ 16,406	$ 18,162

Note 10. Divestiture

In March 2011, our board of directors approved a plan for the sale of our WiMAX business. On September 2, 2011, we sold to EION Networks, Inc. (“EION”) our WiMAX business and related assets consisting of certain technology, inventory and equipment. As consideration for the sale of assets, EION agreed to pay us $0.4 million in cash and up to $2.8 million in additional cash payments contingent upon specific factors related to future WiMAX business performance. We had received $0.1 million in total of such contingent payments through June 27, 2014 and do not expect any further payments from EION. In addition, EION is entitled to receive cash payments up to $2.0 million upon collection of certain WiMAX accounts receivable. As of September 26, 2014, we made $1.6 million in total of such payments to EION and wrote-off the remaining $0.4 million balance resulting from the write-downs of the corresponding WiMAX accounts receivable. As of June 30, 2017 and July 1, 2016, we had no liabilities related to the disposition of WiMAX business.

In the third quarter of fiscal 2011, we began accounting for the WiMAX business as a discontinued operation and, therefore, the operating results of our WiMAX business were included in discontinued operations in our consolidated financial statements for all years presented. The income recognized in fiscal 2016 was primarily due to the recovery of

certain WiMAX customer receivables that was previously written down. The income recognized in fiscal 2015 was primarily due to a $0.1 million write-off of accrued liabilities due to EION.

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

	Fiscal Year		
(In thousands)	2017	2016	2015
Income from operations of WiMAX	$ —	$ 652	$ 30
Gain on disposal	—	—	85
Income taxes	—	(111)	(21)
Income from discontinued operations, net of tax	$ —	$ 541	$ 94

Note 11. Income Taxes

Income (loss) from continuing operations before provision for income taxes during fiscal year 2017, 2016 and 2015 consisted of the following:

	Fiscal Year		
(In thousands)	2017	2016	2015
United States	$ 10,979	$ (4,248)	$ (18,603)
Foreign	(11,584)	(24,295)	(7,355)
Total loss from continuing operations before income taxes	$ (605)	$ (28,543)	$ (25,958)

Provision for (benefit from) income taxes from continuing operations for fiscal year 2017, 2016 and 2015 were summarized as follows:

	Fiscal Year		
(In thousands)	2017	2016	2015
Current provision (benefit):			
Federal	$ (14)	$ 131	$ —
Foreign	(52)	1,814	3,378
State and local	7	24	23
	(59)	1,969	3,401
Deferred provision (benefit):			
Federal	168	(468)	(216)
Foreign	(93)	134	(4,495)
	75	(334)	(4,711)
Total provision for (benefit from) income taxes from continuing operations	$ 16	$ 1,635	$ (1,310)

The provision for (benefit from) income taxes from continuing operations differed from the amount computed by applying the federal statutory rate of 35% to our income before provision for income taxes as follows:

(In thousands)	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Tax benefit at statutory rate	$ (196)	$ (9,990)	$ (9,065)
Valuation allowances	(1,346)	6,609	(3,900)
Foreign non-deductible expenses	628	103	(80)
State and local taxes, net of U.S. federal tax benefit	358	(134)	(500)
Foreign income taxed at rates less than the U.S. statutory rate	2,062	6,019	9,970
Dividend from foreign subsidiary	—	(1,781)	—
Foreign branch income/withholding taxes	1,116	292	1,350
Singapore refund	(3,778)	—	—
Change in uncertain tax positions	1,173	437	610
Other	(1)	80	305
Total provision for (benefit from) income taxes from continuing operations	$ 16	$ 1,635	$ (1,310)

The income tax expense (benefit) from continuing operations was $16 thousand of expense for fiscal 2017, $1.6 million of expense for fiscal 2016 and $1.3 million of benefit for fiscal 2015. The difference between our income tax expense (benefit) from continuing operations and income tax expense at the statutory rate of 35% was primarily attributable to losses in tax jurisdictions in which we cannot recognize a tax benefit and increase in foreign withholding taxes. During fiscal 2017, we recorded a $3.7 million tax benefit from the audit assessment refund received from the Inland Revenue Authority of Singapore. During fiscal 2015, we released approximately $4.4 million of the deferred tax valuation allowance in jurisdictions where management believed the utilization of deferred tax assets was more likely than not based on the weighting of positive and negative evidence.

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

(In thousands)	June 30, 2017	July 1, 2016
Deferred tax assets:		
Inventory	$ 4,390	$ 6,652
Accruals and reserves	2,611	2,497
Bad debts	669	1,091
Amortization	1,870	3,148
Stock compensation	2,266	2,599
Deferred revenue	3,127	1,759
Unrealized exchange gain/loss	3,295	3,422
Other	3,715	6,623
Tax credit carryforwards	15,337	18,016
Tax loss carryforwards	168,115	167,468
Total deferred tax assets before valuation allowance	205,395	213,275
Valuation allowance	(197,951)	(202,824)
Total deferred tax assets	7,444	10,451
Deferred tax liabilities:		
Branch undistributed earnings reserve	990	822
Depreciation	1,501	4,596
Other	456	462
Total deferred tax liabilities	2,947	5,880
Net deferred tax assets	$ 4,497	$ 4,571
As Reported on the Consolidated Balance Sheets		
Deferred income tax assets	$ 6,178	$ 6,068
Deferred income tax liabilities	1,681	1,497
Total net deferred income taxes	$ 4,497	$ 4,571

Our valuation allowance related to deferred income taxes, as reflected in our consolidated balance sheets, was $198.0 million as of June 30, 2017 and $202.8 million as of July 1, 2016. The decrease in valuation allowance in fiscal 2017 was primarily due to the release of valuation allowance in certain foreign jurisdictions, partially offset by losses in tax jurisdictions in which we cannot recognize tax benefits.

Tax loss and credit carryforwards as of June 30, 2017 have expiration dates ranging between one year and no expiration in certain instances. The amount of U.S. federal tax loss carryforwards as of June 30, 2017 and July 1, 2016 were $339.8 million and $345.3 million, respectively, and begin to expire in fiscal 2023. The amount of U.S. federal and state tax credit carryforwards as of June 30, 2017 were $16.4 million, and certain credits will begin to expire in fiscal 2018. The amount of foreign tax loss carryforwards as of June 30, 2017 was $232.1 million and certain losses begin to expire in fiscal 2018. The amount of foreign tax credit carryforwards as of June 30, 2017 were $4.4 million, and certain credits will begin to expire in fiscal 2023.

United States income taxes have not been provided on basis differences in foreign subsidiaries of $5.0 million and $5.6 million, respectively, as of June 30, 2017 and July 1, 2016, because of our intention to reinvest these earnings indefinitely. The residual U.S. tax liability, if such amounts were remitted, would be nominal.

We entered into a tax sharing agreement with Harris effective on January 26, 2007, the date of the acquisition of Stratex. 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 Microwave Communication Division when it was a division of Harris. There were no settlement payments recorded in fiscal year 2017, 2016 or 2015.

As of June 30, 2017 and July 1, 2016, we had unrecognized tax benefits of $18.7 million and $27.0 million, respectively, for various federal, foreign, and state income tax matters. Unrecognized tax benefits decreased by $8.3

million. Our total unrecognized tax benefits that, if recognized, would affect our effective tax rate were $2.5 million and $1.4 million, respectively, as of June 30, 2017 and July 1, 2016. These unrecognized tax benefits are presented on the accompanying consolidated balance sheets net of the tax effects of net operating loss carryforwards.

We account for interest and penalties related to unrecognized tax benefits as part of our provision for income taxes. The interest accrued was $0.2 million as of June 30, 2017 and immaterial as of July 1, 2016. No penalties have been accrued.

Our unrecognized tax benefit activity for fiscal 2017, 2016 and 2015 was as follows:

(In thousands)	Amount
Unrecognized tax benefit as of June 27, 2014	$ 28,209
Additions for tax positions in prior periods	673
Decreases for tax positions in prior periods	(227)
Decreases related to change of foreign exchange rate	(1,745)
Unrecognized tax benefit as of July 3, 2015	26,910
Additions for tax positions in current periods	397
Additions for tax positions in prior periods	246
Decreases related to change of foreign exchange rate	(515)
Unrecognized tax benefit as of July 1, 2016	27,038
Additions for tax positions in prior periods	626
Additions for tax positions in current periods	831
Decreases for tax positions in prior periods	(9,279)
Decreases related to change of foreign exchange rate	(477)
Unrecognized tax benefit as of June 30, 2017	$ 18,739

During the fiscal year 2014, we received an assessment letter from the Inland Revenue Authority of Singapore (“IRAS”) related to deductions claimed in prior years and made a payment of $13.2 million related to tax years 2007 through 2010, reflecting all of the taxes incrementally assessed by IRAS. While we disagreed with the IRAS assessment, the payment was a required step in order to continue our appeal. Since the initial assessment, we have continued to challenge this assessment. During the first quarter of fiscal year 2017, we received an initial refund of $3.7 million from IRAS and recognized a discrete benefit in the first quarter of fiscal year 2017. During the first quarter of fiscal 2018, we received an additional refund of $1.3 million from IRAS which represents a final settlement. We will recognize the refund as a discrete tax benefit in the first quarter of fiscal 2018. During the next twelve months, it is reasonably possible that our unrecognized tax benefits will be impacted by up to $3.0 million.

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, Nigeria and the Ivory Coast. The earliest years still open and subject to potential audits for these jurisdictions are as follows: U.S. —2003; Singapore — 2006; Nigeria — 2011, and Ivory Coast — 2016.

Note 12. Commitments and Contingencies

Operating Lease Commitments

We lease office and manufacturing facilities under non-cancelable operating leases expiring at various dates through 2024. We lease approximately 19,000 square feet of office space in Milpitas, California as our corporate headquarters with a term of 60 months. As of June 30, 2017, future minimum lease payments for our Milpitas headquarters total $1.4 million.

As of June 30, 2017, our future minimum lease payments under all non-cancelable operating leases with an initial lease term in excess of one year were as follows:

Fiscal Years	Amount
	(In thousands)
2018	$ 1,997
2019	1,431
2020	988
2021	908
2022	208
Thereafter	2,023
Total	$ 7,555

These commitments do not contain any material rent escalations, rent holidays, contingent rent, rent concessions, leasehold improvement incentives or unusual provisions or conditions. We sublease a portion of our facilities to third parties and the total minimum rents to be received in the future under our non-cancelable subleases were $0.1 million as of June 30, 2017. The future minimum lease payments are not reduced by the minimum sublease rents.

Rental expense for operating leases, including rentals on a month-to-month basis was $4.0 million, $5.1 million and $6.5 million in fiscal 2017, 2016 and 2015, respectively.

Purchase Orders and Other Commitments

From time to time in the normal course of business, we may enter into purchasing agreements with our suppliers that require us to accept delivery of, and remit full payment for, finished products that we have ordered, finished products that we requested be held as safety stock, and work in process started on our behalf in the event we cancel or terminate the purchasing agreement. 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, and we have no present intention to cancel or terminate any of these agreements, we currently do not believe that we have any future liability under these agreements. As of June 30, 2017, we had outstanding purchase obligations with our suppliers or contract manufacturers of $17.8 million. In addition, we had contractual obligations of approximately $1.4 million associated with software licenses as of June 30, 2017.

Financial Guarantees and Commercial Commitments

Guarantees issued by banks, insurance companies or other financial institutions are contingent commitments issued to guarantee our performance under borrowing arrangements, such as bank overdraft facilities, tax and customs obligations and similar transactions or to ensure our performance under customer or vendor contracts. The terms of the guarantees are generally equal to the remaining term of the related debt or other obligations and are generally limited to two years or less. As of June 30, 2017, we had no guarantees applicable to our debt arrangements.

We have entered into commercial commitments in the normal course of business including surety bonds, standby letters of credit agreements and other arrangements with financial institutions primarily relating to the guarantee of future performance on certain contracts to provide products and services to customers. As of June 30, 2017, we had commercial commitments of $34.7 million outstanding that were not recorded in our consolidated balance sheets. During the second fiscal quarter, we recorded a payout in cost of revenues of $0.4 million on the performance guarantees to a contractor in the Middle East region. We believe the customer improperly drew down on the performance bond and intend to pursue all remedies available to recover the payment. We do not believe, based on historical experience and information currently available, that it is probable that any significant amounts will be required to be paid on the performance guarantees in the future.

Indemnifications

Under the terms of substantially all of our license agreements, we have agreed to defend and pay any final judgment against our customers arising from claims against such customers that our products infringe the intellectual property rights of a third party. As of June 30, 2017, we have not received any notice that any customer is subject to an infringement claim arising from the use of our products; we have not received any request to defend any customers from infringement claims arising from the use of our 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 products. Because the outcome of infringement disputes is related to the specific facts of each case, and given the lack of previous or current indemnification claims, we cannot estimate the maximum amount of potential future payments, if any, related to our indemnification provisions. As of June 30, 2017, we had not recorded any liabilities related to these indemnifications.

Legal Proceedings

We are subject from time to time to disputes with customers concerning our products and services. In May 2016, we received notification of a claim for $1.0 million in damages from a customer in Austria alleging that certain of our products were defective. We are continuing to investigate this claim, and at this time an estimate of the reasonably possible loss or range of loss cannot be made. We believe that we have numerous contractual and legal defenses to these disputes, and we intend to dispute them vigorously.

In August 2016, we received correspondence from a customer in Africa demanding that certain inventory be repurchased under the terms of an inventory management agreement that we believed had previously expired. We settled this matter for $0.2 million in April 2017.

From time to time, we may be involved in various other legal claims and litigation that arise in the normal course of our operations. We are aggressively defending all current litigation matters. Although there can be no assurances and the outcome of these matters is currently not determinable, we currently believe that none of these claims or proceedings are likely to have a material adverse effect on our financial position. We expect to defend each of these disputes vigorously. There are many uncertainties associated with any litigation and these actions or other third-party claims against us may cause us to incur costly litigation and/or substantial settlement charges. As a result, our business, financial condition, results of operations, and cash flows could be adversely affected. The actual liability in any such matters may be materially different from our estimates, if any.

We record accruals for our outstanding legal proceedings, investigations or claims when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. We evaluate, at least on a quarterly basis, developments in legal proceedings, investigations or claims that could affect the amount of any accrual, as well as any developments that would result in a loss contingency to become both probable and reasonably estimable. Except for the matter above which was ultimately settled for $0.2 million, we have not recorded any accrual for loss contingencies associated with such legal claims or litigation discussed above.

Contingent Liabilities

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

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

Note 13. Quarterly Financial Data (Unaudited)

The following financial information reflects all normal recurring adjustments, which are, in the opinion of management, necessary for a fair statement of the results of the interim periods. Our fiscal quarters end on the Friday nearest the end of the calendar quarter. Summarized quarterly data for fiscal 2017 and 2016 were as follows:

(In thousands, except per share amounts)	Q1 Ended 9/30/2016	Q2 Ended 12/30/2016	Q3 Ended 3/31/2017	Q4 Ended 6/30/2017
Fiscal 2017				
Revenue	$ 58,207	$ 68,536	$ 58,700	$ 56,431
Gross margin	17,365	21,116	17,732	19,259
Operating (loss) income	(2,925)	2,513	73	(646)
Net (loss) income	(601)	1,722	(330)	(1,412)
Net (loss) income attributable to Aviat Networks	(629)	1,678	(399)	(1,473)
Per share data:				
Basic net (loss) income per common share	$ (0.12)	$ 0.32	$ (0.08)	$ (0.28)
Diluted net (loss) income per common share	(0.12)	0.31	(0.08)	(0.28)

(In thousands, except per share amounts)	Q1 Ended 10/2/2015	Q2 Ended 1/1/2016	Q3 Ended 4/1/2016	Q4 Ended 7/1/2016
Fiscal 2016				
Revenue	$ 79,555	$ 70,416	$ 60,467	$ 58,252
Gross margin	21,011	16,424	14,413	9,869
Operating loss	(1,598)	(4,998)	(7,594)	(13,256)
Net loss	(1,154)	(5,534)	(7,808)	(15,141)
Net loss attributable to Aviat Networks	(1,203)	(5,679)	(7,874)	(15,151)
Per share data:				
Basic and diluted net loss per common share [(1)]	$ (0.23)	$ (1.09)	$ (1.50)	$ (2.88)

(1) All per share data in this note have been retroactively adjusted for the Reverse Stock Split discussed in Note 1.

The following tables summarize notable items included in our results of operations for each of the fiscal quarters presented:

(In thousands)	Q1 Ended 9/30/2016	Q2 Ended 12/30/2016	Q3 Ended 3/31/2017	Q4 Ended 6/30/2017
Fiscal 2017				
Restructuring charges	$ 160	$ 72	$ 111	$ 246
Nigeria foreign exchange loss (gain) on dividend receivable	210	(2)	10	(5)
WTM inventory recovery	—	(83)	(48)	(45)
Performance bond expense	—	365	—	—
Gain on liquidation of subsidiary	—	—	(349)	—
Tax refund from Inland Revenue Authority of Singapore	(3,741)	—	—	—

(In thousands)	Q1 Ended 10/2/2015	Q2 Ended 1/1/2016	Q3 Ended 4/1/2016	Q4 Ended 7/1/2016
Fiscal 2016				
Restructuring charges	$ 21	$ 34	$ 804	$ 1,596
Nigeria foreign exchange loss on dividend receivable	—	—	—	1,245
WTM inventory write-down	—	—	—	5,057

Note 14. Subsequent Events

In August 2017, we received an insurance recovery of $0.3 million which will be recorded as a reduction of operating expenses in the first quarter of 2018.

During the first quarter of fiscal 2018, we received a refund of $1.3 million from IRAS which represents a final settlement. We will recognize the tax refund as a discrete tax benefit in the first quarter of fiscal 2018. For more information about the tax refund, see “Note 11. Income Taxes”.

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

Not applicable.

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Based on management’s evaluation, with participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as of the end of the period covered by this report, our CEO and CFO have concluded that 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”), are effective to provide reasonable assurance that the information required to be disclosed in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Controls Over Financial Reporting

There were no changes to our internal control over financial reporting as defined in Rules 13a-15(f) or 15d-15(f) that occurred during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management 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) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. GAAP.

Management assessed our internal control over financial reporting as of June 30, 2017, the end of our fiscal year. Management based its assessment on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Management’s assessment included evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment.

Based on this assessment, management has concluded that our internal control over financial reporting was effective as of the end of the fiscal year to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external reporting purposes in accordance with U.S. GAAP. We reviewed the results of management’s assessment with the Audit Committee of our Board of Directors.

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal controls over financial reporting because Aviat is a non-accelerated filer and is not subject to auditor attestation requirements under the applicable rules of the Securities Exchange Commission.

Inherent Limitations on Effectiveness of Controls

Our management, including the CEO and CFO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well-designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no

evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

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 SEC within 120 days after the end of our fiscal year ended June 30, 2017.

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

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

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

Information regarding our directors and compliance with Section 16(a) of the Exchange Act by our directors and executive officers will appear in our definitive Proxy Statement and is incorporated herein by reference.

Item 11. *Executive Compensation*

Information regarding our executive compensation will appear in our definitive Proxy Statement and is incorporated herein by reference.

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

Information regarding security ownership of certain beneficial owners and management and related stockholder matters will appear in our definitive Proxy Statement 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 in our definitive Proxy Statement 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 and is incorporated herein by reference.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

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

1. Financial Statements

The financial statements of Aviat Networks, Inc. are set forth in Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedules

Schedule	**Page**
Schedule II — Valuation and Qualifying Accounts for the three fiscal years ended July 1, 2016.	86

All other schedules have been omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedules or because the information required is included in the consolidated financial statements or notes thereto.

(b) Exhibits.

The information required by this Item is set forth on the Exhibit Index (following the Signatures section of this report) and is included, or incorporated by reference, in this Form 10-K.

SIGNATURES

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

AVIAT NETWORKS, INC.
(Registrant)

Date: September 6, 2017

By: /s/ Ralph S. Marimon

Ralph S. Marimon

Senior Vice President and Chief Financial Officer

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

Signature	Title	Date
/s/ Michael A. Pangia Michael A. Pangia	President and Chief Executive Officer (Principal Executive Officer)	September 6, 2017
/s/ Ralph S. Marimon Ralph S. Marimon	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	September 6, 2017
/s/ Eric Chang Eric Chang	Vice President, Corporate Controller and Principal Accounting Officer (Principal Accounting Officer)	September 6, 2017
/s/ John Mutch John Mutch	Chairman of the Board	September 6, 2017
/s/ Wayne Barr, Jr. Wayne Barr, Jr.	Director	September 6, 2017
/s/ Kenneth Kong Kenneth Kong	Director	September 6, 2017
/s/ John Quicke John Quicke	Director	September 6, 2017
/s/ James C. Stoffel James C. Stoffel	Director	September 6, 2017

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
AVIAT NETWORKS, INC.

Years Ended June 30, 2017, July 1, 2016 and July 3, 2015

(In thousands)	Balance at Beginning of Period	Charged to (Credit from) Costs and Expenses	Deductions	Balance at End of Period
Allowances for collection losses:				
Year ended June 30, 2017	$ 7,967	$ (484)	$ 3,564 (A)	$ 3,919
Year ended July 1, 2016	$ 6,641	$ 2,431	$ 1,105 (B)	$ 7,967
Year ended July 3, 2015	$ 7,442	$ 1,302	$ 2,103 (C)	$ 6,641

Note A - Consisted of changes to allowance for collection losses of $607 thousand for foreign currency translation gain and $4,172 thousand for uncollectible accounts charged off, net of recoveries on accounts previously charged off.

Note B - Consisted of changes to allowance for collection losses of $308 thousand for foreign currency translation losses and $797 thousand for uncollectible accounts charged off, net of recoveries on accounts previously charged off.

Note C - Consisted of changes to allowance for collection losses of $250 thousand for foreign currency translation losses and $1,853 thousand for uncollectible accounts charged off, net of recoveries on accounts previously charged off.

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	Asset Purchase Agreement by and among Aviat U.S., Inc. and EION Networks, Inc., dated as of September 2, 2011 (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on September 9, 2011, File No. 001-33278)
3.1	Amended and Restated Certificate of Incorporation of Aviat Networks, Inc., as amended (incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q filed with the SEC on February 10, 2017, File No. 001-33278)
3.2	Certificate of Designation of Rights, Preferences and Privileges of Series A Participating Preferred Stock (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed with the SEC on September 7, 2016. File No. 001-33278)
3.3	Amended and Restated Bylaws of Aviat Networks, Inc. (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed with the SEC on October 2, 2015, File No. 001-33278)
3.4	Certificate of Ownership and Merger Merging Aviat Networks, Inc. into Harris Stratex Networks, Inc., effective January 27, 2010, as filed with the Secretary of State of the State of Delaware on January 27, 2010 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on January 28, 2010, File No. 001-33278)
3.5	Certificate of Elimination of Series A Participating Preferred Stock (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on September 7, 2016, File No. 001-33278)
4.1	Tax Benefit Preservation Plan, dated as of September 6, 2016, by and between Aviat Networks, Inc. and Computershare Inc., as Rights Agent (incorporated by reference to exhibit 4.1 to the Current Report on Form 8-K filed with the SEC on September 7, 2016, File No. 001-33278)
4.1.1	Specimen common stock certificate, adopted as of January 29, 2010 (incorporated by reference to Exhibit 4.1.1 to the Annual Report on Form 10-K for fiscal year end July 2, 2010 filed with the SEC on September 9, 2010, File No. 001-33278)
10.1	Letter Agreement, dated September 13, 2016, among Aviat Networks, Inc., JDS 1, LLC, Julian Singer and David S. Oros (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on September 15, 2016 and to Exhibit 10.1 to the Current Report Form 8-K/A filed with the SEC on September 16, 2016, File No. 001-33278)
10.2	Intellectual Property Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed with the SEC on February 1, 2007, File No. 001-33278)
10.3	Tax Sharing Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.11 to the Current Report on Form 8-K filed with the SEC on February 1, 2007, File No. 001-33278)
10.4*	Standard Form of Executive Employment Agreement between Harris Stratex Networks, Inc. and certain executives (incorporated by reference to Exhibit 10.16 to the Current Report on Form 8-K filed with the SEC on February 1, 2007, File No. 001-33278)
10.5	Aviat Networks, Inc. 2007 Stock Equity Plan (as Amended and Restated Effective November 13, 2015) (incorporated by reference to Appendix A to Schedule 14A filed with the SEC on October 1, 2015, File No. 001-33278)
10.6	Second Amended and Restated Loan and Security Agreement, dated as of March 28, 2014, by and among Aviat Networks, Inc., Aviat U.S., Inc., Aviat Networks (S) Pte. Ltd., and Silicon Valley Bank (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on March 31, 2014, File No. 001-33278)
10.6.1	Amendment #1 to Second Amended and Restated Loan and Security Agreement, dated as of September 25, 2014, by and among Aviat Networks, Inc., Aviat U.S., Inc., Aviat Networks (S) Pte. Ltd. and Silicon Valley Bank (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on September 29, 2014, File No. 001-33278)
10.6.2	Amendment #2 to Second Amended and Restated Loan and Security Agreement, dated as of October 30,2014, by and among Aviat Networks, Inc., Aviat U.S., Inc., Aviat Networks (S) Pte. Ltd. and Silicon Valley Bank (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on October 30, 2014, File No. 001-33278)

Ex. #	Description
10.6.3	Amendment #3 to Second Amended and Restated Loan and Security Agreement, dated as of December 2, 2014, by and among Aviat Networks, Inc., Aviat U.S., Inc., Aviat Networks (S) Pte. Ltd., and Silicon Valley Bank (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on December 5, 2014, File No. 001-33278)
10.6.4	Amendment #4 to Second Amended and Restated Loan and Security Agreement, dated February 27, 2015, by and among Aviat Networks, Inc., Aviat U.S., Inc., Aviat Networks (S) Pte. Ltd., and Silicon Valley Bank (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on March 3, 2015, File No. 001-33278)
10.6.5	Amendment #5 to Second Amended and Restated Loan and Security Agreement, dated as of March 30, 2016, by and among Aviat Networks, Inc., Aviat U.S., Inc., Aviat Networks (S) Pte. Ltd. and Silicon Valley Bank (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on April 1, 2016, File No. 001-33278)
10.6.6	Amendment #6 to Second Amended and Restated Loan and Security Agreement, dated as of June 30, 2016, by and among Aviat Networks, Inc., Aviat U.S., Inc., Aviat Networks (S) Pte. Ltd. and Silicon Valley Bank (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on July 1, 2016, File No. 001-33278)
10.6.7	Amendment#7 to Second Amended and Restated Loan and Security Agreement, dated as of June 28, 2017, by and among Aviat Networks, Inc., Aviat U.S., Inc., Aviat Networks (S) Pte. Ltd. and Silicon Valley Bank (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on June 29, 2017, File No. 001-33278)
10.7*	Employment Agreement, dated as of April 1, 2006, between Harris Stratex Networks, Inc. and Heinz Stumpe (incorporated by reference to Exhibit 10.15.2 to the Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2007 filed with the SEC on May 8, 2007, File No. 001-33278)
10.8*	Employment Agreement, dated as of May 14, 2002, between Stratex Networks, Inc. and Shaun McFall (incorporated by reference to Exhibit 10.25 to the Annual Report on Form 10-K for the fiscal year ended July 3, 2009 filed with the SEC on September 4, 2009, File No. 001-33278)
10.8.1*	Amendment, effective April 1, 2006, to Employment Agreement, dated May 14, 2002, between Stratex Networks, Inc. and Shaun McFall (incorporated by reference to Exhibit 10.25.1 to the Annual Report on Form 10-K for the fiscal year ended July 3, 2009 filed with the SEC on September 4, 2009, File No. 001-33278)
10.9*	Employment Agreement, dated July 18, 2011, between Aviat Networks, Inc. and Michael Pangia (incorporated by reference to the Current Report on Form 8-K filed with the SEC on July 20, 2011, File No. 001-33278)
10.10*	Employment Agreement, dated April 29, 2015, between Aviat Networks, Inc. and Ralph S. Marimon (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on May 14, 2015, File No. 001-33278)
10.11	Letter Agreement, dated as of January 11, 2015, among Aviat Networks, Inc., Steel Partners Holdings L.P., Lone Star Value Management, LLC and certain other parties (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on January 12, 2015, File No. 001-33278)
10.12*	Employment Agreement, dated January 20, 2016, between Aviat Networks, Inc. and Eric Chang (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on January 21, 2016, File No. 001-33278)
10.13	Lease Agreement, dated June 8, 2016, between Aviat Networks, Inc., through its wholly owned subsidiary Aviat U.S., Inc., and The Irvine Company LLC (incorporated by reference to Exhibit 10.34 to the Annual Report on Form 10-K for fiscal year end July 1, 2016 filed with the SEC on September 9, 2016, File No. 001-33278)
10.14	Lease Termination Agreement, dated June 1, 2016, between Aviat Networks, Inc., through its wholly owned subsidiary Aviat U.S., Inc., and Aslan Newcastle Great America Owner, L.L.C. (incorporated by reference to Exhibit 10.35 to the Annual Report on Form 10-K for fiscal year end July 1, 2016 filed with the SEC on September 9, 2016, File No. 001-33278)
21	List of Subsidiaries of Aviat Networks, Inc.
23.1	Consent of BDO USA, LLP
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer
101.INS	XBRL Instance Document

Ex. #	Description
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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

Exhibit 21

AVIAT NETWORKS, INC.

SUBSIDIARIES AS OF JUNE 30, 2017

(100% direct or indirect ownership by Aviat Networks, Inc.)

Name of Subsidiary	State or Other Jurisdiction of Incorporation
Aviat Networks Algeria S.A.R.L.	Algeria
Aviat Networks (Australia) Pty. Ltd. .	Australia
Aviat Networks (Bangladesh) Limited	Bangladesh
Aviat Networks Brasil Servicos em Communicacoes Ltda.	Brazil
Aviat Networks Canada ULC	Canada
Aviat Communications Technology (Shenzhen) Company Ltd.	The People's Republic of China
Aviat Networks Congo	Congo - Brazzaville
Aviat Networks France S.A.S.	France
Aviat Networks Ghana Limited	Ghana
Aviat Networks Holland B.V.	The Netherlands
Aviat Networks HK Limited	Hong Kong
Aviat Networks (India) Private Limited	India
Telsima Communications Private Limited	India
Pt. Aviat Networks Indonesia	Indonesia
Aviat Networks Côte d'Ivoire	Ivory Coast
Aviat Networks (Kenya) Limited	Kenya
Aviat Networks Malaysia Sdn. Bhd.	Malaysia
Digital Microwave (Mauritius) Private Limited	Mauritius
Aviat Networks México S.A. de C.V.	Mexico
Aviat Networks (NZ) Limited	New Zealand
Aviat Networks Communication Solutions Limited	Nigeria
Stratex Networks Nigeria Limited	Nigeria
Aviat Networks (Clark) Corporation	The Philippines
Aviat Networks Philippines, Inc.	The Philippines
Aviat Networks Polska Sp. z.o.o.	Poland
Aviat Networks Communications Solutions LLC	Russia
Aviat Networks (S) Pte. Ltd.	Republic of Singapore
Aviat storitveno podjetje, d.o.o.	Slovenia
Aviat Networks (South Africa) (Proprietary) Limited	Republic of South Africa
MAS Technology Holdings (Proprietary) Limited	Republic of South Africa
DMC Stratex Networks (South Africa) (Proprietary) Limited	Republic of South Africa
Aviat Ubuntu Telecommunication (Pty) Limited	Republic of South Africa
Aviat Networks Tanzania Limited	Tanzania
Aviat Networks (Thailand) Ltd.	Thailand
Aviat Networks (UK) Limited	Delaware
Aviat International Holdings, Inc.	Delaware
Aviat U.S., Inc.	Delaware
Telsima Corporation	Delaware
Aviat Networks Telecommunications Zambia Limited	Zambia

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

Aviat Networks, Inc.
Milpitas, California

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-209462, 333-178467, 333-163542 and 333-140442) of Aviat Networks, Inc. of our report dated September 6, 2017, relating to the consolidated financial statements and financial statement schedule, which appear in this Form 10-K.

/s/ BDO USA, LLP

San Jose, California

September 6, 2017

Exhibit 31.1

CERTIFICATION

I, Michael A. Pangia, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended June 30, 2017, of Aviat Networks, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 6, 2017

/s/ Michael A. Pangia

Name: Michael A. Pangia

Title: President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Ralph S. Marimon, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended June 30, 2017, of Aviat Networks, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 6, 2017

/s/ Ralph S. Marimon

Name: Ralph S. Marimon

Title: Senior Vice President and Chief Financial Officer, Principal Financial Officer

Exhibit 32.1

Certification

Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the filing of the Annual Report on Form 10-K of Aviat Networks, Inc. ("Aviat Networks") for the fiscal year ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Michael A. Pangia, hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. §1350, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Aviat Networks as of the dates and for the periods expressed in the Report

Date: September 6, 2017

/s/ Michael A. Pangia

Name: Michael A. Pangia

Title: President and Chief Executive Officer

Exhibit 32.2

Certification

Pursuant to Section 1350 of Chapter 63 of Title 18 of the
United States Code as Adopted Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002

In connection with the filing of the Annual Report on Form 10-K of Aviat Networks, Inc. (“Aviat Networks”) for the fiscal year ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Ralph S. Marimon, hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. §1350, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Aviat Networks as of the dates and for the periods expressed in the Report

Date: September 6, 2017

/s/ Ralph S. Marimon

Name: Ralph S. Marimon

Title: Senior Vice President and Chief Financial Officer, Principal Financial Officer

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Appendix

Stockholder Information

Executive Offices
Aviat Networks, Inc.
860 N. McCarthy Blvd., Suite 200
Milpitas, CA 95035
(408) 941-7100

Independent Public Accountants
BDO USA LLP

Transfer Agent and Registrar
Computershare
PO Box 30170
College Station, TX 77842

Investor Relations Contact
Investor Relations
InvestorInfo@aviatnet.com

Overnight Correspondence to:
Computershare
211 Quality Circle
Suite 210
College Station, TX 77845

Tel: (800) 522-6645
TDD for hearing Impaired: 800-231-5469
Foreign Shareowners: 201-680-6578
TDD Foreign Shareowners: 201-680-6610

Shareholder website: www.computershare.com/investor
Shareholder online inquiries: https://www-us.computershare.com/investor/contact

Stockholder Inquiries
Questions relating to stockholder records, change of ownership or change of address should be sent to our transfer agent, Computershare, whose address appears above.

Financial Information
Securities analysts, investment managers and stockholders should direct financial information inquiries to the Investor Relations contact listed above.

SEC Form 10-K
A copy of the Company's Form 10-K filed with the Securities and Exchange Commission is available by downloading from our website, Aviatnetworks.com or by writing to:

Aviat Networks, Inc.
Attn: Investor Relations
860 N. McCarthy Blvd., Suite 200
Milpitas, California 95035

2017 Annual Report
We have published this 2017 Annual Report to Stockholders, including the Consolidated Financial Statements and Management's Discussion and Analysis, as an appendix to our Proxy Statement. Further information regarding various aspects of our business can be found on our website www.Aviatnetworks.com.

Electronic Delivery
In an effort to reduce paper mailed to your home, we offer stockholders the convenience of viewing the Proxy Statement, Annual Report to Stockholders and related materials online. With your consent, we can stop sending future paper copies of these documents to you by mail. To participate, follow the instructions at www.icsdelivery.com.

Online Voting at www.Proxyvote.com
If you are a registered stockholder, you may now use the Internet to transmit your voting instructions any time before 11:59 p.m. ET on March 19, 2018. Have your proxy card in hand when you access the Web site. You will be prompted to enter your Control Number to obtain your records and create an electronic voting instruction form.

www.Aviatnetworks.com
The Aviat Networks Web site provides access to a wide variety of information, including products, new releases and financial information. A principal feature of the Web site is the Investor Relations section, which contains general financial information and access to the current Proxy Statement and Annual Report to Stockholders. The site also provides archived information (for example, historical financial releases and stock prices) and access to conference calls and analyst group presentations. Other interesting features are the press release alerts and SEC filings email alerts, which allow users to receive automatic updates informing them when new items such as news releases, financial event announcements and SEC documents are added to the site.

www.computershare.com/investor
The Computershare Web site provides access to an Internet self-service product, Investor Centre. Through Investor Centre, registered stockholders can view their account profiles, stock certificate histories, Form 1099 tax information, current stock price quote (20-minute delay) and historical stock prices. Stockholders may also request the issuance of stock certificates, duplicate Form 1099s, safekeeping of stock certificates or an address change.

Corporate Directory

Officers

Michael Pangia
President and Chief Executive Officer

Ralph Marimon
Sr. Vice President and Chief Financial Officer

Shaun McFall
Sr. Vice President, Chief Marketing and Strategy Officer

Heinz H. Stumpe
Sr. Vice President and Chief Sales Officer

Meena Elliott
Sr. Vice President, Chief Legal and Administrative Officer, Corporate Secretary

Eric Chang
Vice President, Corporate Controller, Principal Accounting Officer

Directors

John Mutch
Director & Chairman of the Board
Managing Partner
MV Advisors LLC
Director
Maxwell Technologies, Inc.
YuMe, Inc.
Agilysis, Inc.

Wayne Barr, Jr.
Director & Chairman of the Board
Concurrent Computer Corporation
Director
HC2 Holdings, Inc.
Alliance Group of NC, LLC

Kenneth Kong
Sr. Vice President
Steel Services, Ltd.
Director
Ore Holdings, Inc.

John J. Quicke
Chairman of Board
Steel Energy Services LTD
Director
Rowan Companies, plc

Dr. James C. Stoffel
Director
Harris Corporation

Outside Legal Counsel
Olshan Frome Wolosky LLP
New York, NY

Headquarters and Operations

Corporate Headquarters
Aviat Networks, Inc.
860 N. McCarthy Blvd., Suite 200
Milpitas, CA 95035
United States

International Headquarters, Singapore
Aviat Networks (S) Pte. Ltd.
51 Changi Business Park Central 2
#04-10 The Signature
Singapore 486066

Offices

North America
Montréal, Canada
Durham, NC
San Antonio, TX

Mexico
Mexico D.F.

Europe

Meudon, France
Glasgow, Scotland
Schiphol, The Netherlands
London, United Kingdom
Moscow, Russia
Trzin-Ljubljana, Slovenia
Warsaw, Poland

Africa
Abidjan, Côte d'Ivoire
Accra, Ghana
Alger, Algeria
Lagos, Nigeria
Midrand, South Africa
Nairobi, Kenya

Middle East
Dubai, United Arab Emirates
Riyadh, Saudi Arabia

Asia & Pacific Rim
Bangkok, Thailand
Colombo, Sri Lanka
Gurgaon, India
Jakarta, Indonesia
Kuala Lumpur, Malaysia
Manila, Philippines
Pampanga, Philippines
Shenzhen, China
Singapore
Sydney, Australia
Wellington, New Zealand

Forward-looking Statements
This Annual Report, including the letter to shareholders, contains forward-looking statements that are based on the views of management regarding future events at the time of publication of this report. These forward-looking statements, which include, but are not limited to: our plans, strategies and objectives for future operations; new products, services or developments; future economic conditions; outlook; impact on operating results due to the volume, timing, customer, product and geographic mix of our product orders; our growth potential and the potential of industries and the markets we serve, are subject to the known and unknown risks, uncertainties and other factors that may cause our actual results to be materially different from those expressed or implied by each forward-looking statement. These risks, uncertainties and other factors are discussed in the 2017 Form 10-K.

WWW.AVIATNETWORKS.COM

860 N. McCarthy Blvd., Suite 200, Milpitas, CA 95035

Tel: 408-941-7100

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