



2021
Proxy Statement
& Annual Report
Aviat Networks, Inc.



September 27, 2021

To Our Stockholders:

Fiscal Year 2021 was marked with a substantial improvement to the business despite the ongoing COVID-19 pandemic. In the last annual letter, the opportunity for growth and improved profitability was highlighted. We delivered 15.2% revenue growth and record profitability with Adjusted EBITDA margin at 11.9%. Our Fiscal Year 2021 goals were centered around growth-enablement and our foundation. Some of our key accomplishments against our goal set included:

- Implementation of a customer-focused, market-back approach for our commercial and innovation teams;
- Orientation of our technology portfolio towards differentiated offerings and improvements in total cost of ownership;
- Increase in our software and value-added services sales;
- Increase in sales in the Aviat store (ecommerce);
- Growth of our North American private network business;
- Development of a strong pipeline of International Tier 2 customers; and
- Delivery on our COGS and Opex cost reduction initiatives.

These accomplishments led to Aviat's first year of meaningful topline growth in six years and improvements to our gross margin and overall profitability.

Implementation of our Corporate Strategy

As we progress on executing our corporate strategy, we were able to launch several key offerings that are derived from our foundational voice of the customer process and emphasis on total cost of ownership (TCO). These products included:

- **Hosted FAS (Frequency Assurance Software)** – software as a service (SaaS) offering for interference management on microwave links;
- **Adaptive Dual Carrier Software** – doubled radio link capacity without additional hardware, lowering TCO;
- **AviatCloud Enhancements** – upgraded SaaS-based suite of software solutions that simplify the design, purchase, management, and optimization of backhaul networks, substantially lowering TCO; and
- **11GHz and 13GHz Multi-band** - the only single box, single antenna multi-band radios in the industry now support combining 11 and 13 GHz microwave bands with 80 GHz E-Band. The new WTM 4811 and WTM 4813 allow longer links with higher availability and give operators more powerful tools to

expand their networks, avoid expensive fiber builds to deliver the highest capacity, and lower backhaul network TCO.

Our strategy, execution and process improvements translated into new customer and commercial wins including:

- **Addition of Dish as a Customer.** This win validates our claim that Aviat has the best microwave solutions on the market today. This selection of Aviat by a technology innovator like DISH supports our position as a leader in wireless backhaul solutions for 5G networks and establishes Aviat as the best-in-class backhaul vendor for OpenRAN deployments which are expected to increase globally in the coming years.
- **Rural Broadband.** In Fiscal Year 2021, Aviat added 150 new rural broadband accounts, growing our business significantly, and Aviat is now the leading wireless backhaul provider to this segment in the USA. With a large amount of rural broadband funding yet to be allocated and invested, we believe Aviat has a bright future in this segment.
- **Private Networks.** We had three large state network wins in the US and we won a significant international emergency services network with Airwave. Aviat's end-to-end solution spanning network planning, design, manufacturing, install, service and support were key to our progress. In these state networks, our Extra High Power IRU600 indoor radio lowered the TCO and delivered value to our customers.

We continued to execute our operational expense reduction program. We realized cost savings in Fiscal Year 2021, which we reinvested in growth-related initiatives. We believe we have some small opportunities to improve but consider this work to be largely complete.

We believe we are well-positioned in Fiscal Year 2022 as we continue to execute our corporate strategy. We have the recipe to grow as demonstrated by our performance in North America, where revenue grew 15.2% in Fiscal Year 2021. North America business performance is highlighted by new wins, realizing our differentiated product offerings and capturing the strong demand drivers: 5G mobile, mission critical networks and rural broadband.

Our strategic plan addresses the need to improve growth internationally. Over the previous years, our international business was declining. Our strategy and renewed international leadership focused the sales effort. We achieved 5.6% growth in Fiscal Year 2021 by emphasizing TCO and improving our customers' network economics through Aviat's differentiation.

Fiscal Year 2021 Financial Results

In Fiscal Year 2021, we reported total revenue of \$274.9 million, compared to revenue of \$238.6 million in Fiscal Year 2020. Revenue in North America increased by \$31.4 million year-over-year or 20.7% while international revenue returned to growth and increased \$4.9 million or 5.6%. We exited Fiscal Year 2021 with a book to bill above 1, due to our strong performance in North America and return to growth for the international segment.

In Fiscal Year 2021, we reported GAAP gross margin of 37.3% and non-GAAP gross margins of 37.5%, compared to GAAP and non-GAAP margin in Fiscal Year 2020 of 35.5% and 35.6%, representing an increase of 180 basis points and 190 basis points, respectively.

In Fiscal Year 2021, we reported GAAP total operating expenses of \$80.4 million, compared to \$81.3 million in Fiscal Year 2020, a decrease of \$0.9 million or 1.1%. On a non-GAAP basis, excluding the impact of restructuring charges and share-based compensation, total operating expenses for Fiscal Year 2021 were \$75.6 million, compared to \$75.8 million in Fiscal Year 2020. We have reinvested cost savings into growth-related initiatives.

We reported Adjusted Earnings before interest, taxes, depreciation, amortization and other non-GAAP items (“Adjusted EBITDA”) of \$32.8 million in Fiscal Year 2021, as compared to \$13.5 million in Fiscal Year 2020, a year-over-year increase of \$19.3 million.

We ended Fiscal Year 2021 with \$47.9 million in net cash and cash equivalents on our balance sheet, compared to \$32.6 million at the end of Fiscal Year 2020, an increase of \$15.3 million. We have no loans outstanding. During Fiscal Year 2021, we also invested \$0.8 million to repurchase shares from our stock repurchase program, and \$2.6 million remains available under the program.

We continued to generate positive cash flow from operations and our working capital metrics remain among the best in our history, with further improvements anticipated.

Fiscal Year 2022 Outlook

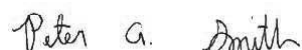
We anticipate modest growth in both revenue and Adjusted EBITDA in Fiscal Year 2022. We have a strong backlog entering Fiscal Year 2022. Our principal challenge is supply chain and component availability. The Aviat supply chain team and Aviat suppliers have done a tremendous job throughout Fiscal Year 2021. The environment is challenging. The better that our supply chain team performs and the better that our suppliers deliver, the better off our customers and investors will be. Our company and our products are well-positioned to benefit from key market drivers:

- The rollout of 5G;
- The increased importance of mission-critical networks; and
- The expansion of rural broadband networks.

We anticipate continuing our strong momentum across these verticals. We have great relationships and history with global and domestic 5G players. We will continue to focus on share gains in our mission-critical network business. Lastly, we will leverage increased funding for rural broadband and the Aviat Store to participate in the expansion of these developing networks.

Aviat’s goals are clearly defined: growth, margin expansion and meaningful bottom-line improvements. We expect to deliver on these goals in Fiscal Year 2022.

Sincerely,



Pete Smith
President and CEO, Aviat Networks

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. All statements, trend analyses and other information contained herein regarding the foregoing beliefs and expectations, as well as about the markets for the services and products of Aviat and trends in revenue, and other statements identified by the use of forward-looking terminology, including "anticipate," "believe," "plan," "estimate," "expect," "goal," "will," "see," "continue," "delivering," "view," and "intend," or the negative of these terms or other similar expressions, constitute forward-looking statements. Certain risks, uncertainties and other 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 2021 Annual Report on 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.

AVIAT NETWORKS, INC.

Fiscal Year 2021 Summary

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES AND REGULATION G DISCLOSURE

To supplement the consolidated financial statements presented in accordance with accounting principles generally accepted in the United States (GAAP), we provide additional measures of gross margin, research and development expenses, selling and administrative expenses, operating income, provision for or benefit from income taxes, net income, net income per share, and adjusted income before interest, tax, depreciation and amortization (Adjusted EBITDA), 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.

Table 3
AVIAT NETWORKS, INC.
Fiscal Year 2021 Summary
RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES ⁽¹⁾
Condensed Consolidated Statements of Operations
(Unaudited)

	Year Ended			
	July 2, 2021	% of Revenue	July 3, 2020	% of Revenue
	(In thousands, except percentages and per share amounts)			
GAAP gross margin	\$ 102,615	37.3 %	\$ 84,696	35.5 %
Share-based compensation	372		182	
Non-GAAP gross margin	102,987	37.5 %	84,878	35.6 %
GAAP research and development expenses	\$ 21,810	7.9 %	\$ 19,284	8.1 %
Share-based compensation	(250)		(112)	
Non-GAAP research and development expenses	21,560	7.8 %	19,172	8.0 %
GAAP selling and administrative expenses	\$ 56,324	20.5 %	\$ 57,985	24.3 %
Share-based compensation	(2,299)		(1,392)	
Non-GAAP selling and administrative expenses	54,025	19.7 %	56,593	23.7 %
GAAP operating income	\$ 22,210	8.1 %	\$ 3,378	1.4 %
Share-based compensation	2,921		1,686	
Restructuring charges	2,271		4,049	
Non-GAAP operating income	27,402	10.0 %	9,113	3.8 %
GAAP income tax provision (benefit)	\$ (87,699)	(31.9)%	\$ 3,452	1.4 %
Adjustment to reflect pro forma tax rate	88,899		(2,252)	
Non-GAAP income tax provision	1,200	0.4 %	1,200	0.5 %
GAAP net income	\$ 110,139	40.1 %	\$ 257	0.1 %
Share-based compensation	2,921		1,686	
Restructuring charges	2,271		4,049	
Adjustment to reflect pro forma tax rate	(88,899)		2,252	

	Year Ended			
	July 2, 2021	% of Revenue	July 3, 2020	% of Revenue
(In thousands, except percentages and per share amounts)				
Non-GAAP net income	\$ 26,432	9.6 %	\$ 8,244	3.5 %
Net income per share:				
GAAP	\$ 9.42		\$ 0.02	
Non-GAAP	\$ 2.26		\$ 0.75	
Shares used in computing net income per share				
GAAP	11,688		10,936	
Non-GAAP	11,688		10,936	
Adjusted EBITDA:				
GAAP net income	\$ 110,139	40.1 %	\$ 257	0.1 %
Depreciation and amortization of property, plant and equipment	5,383		4,387	
Interest income, net	(230)		(331)	
Share-based compensation	2,921		1,686	
Restructuring charges	2,271		4,049	
Provision for (benefit from) income taxes	(87,699)		3,452	
Adjusted EBITDA	\$ 32,785	11.9 %	\$ 13,500	5.7 %

- (1) The adjustments above reconcile our GAAP financial results to the non-GAAP financial measures used by us. Our non-GAAP net income excluded share-based compensation, and other non-recurring charges (recovery). Adjusted EBITDA was determined by excluding depreciation and amortization on property, plant and equipment, interest, provision for or benefit from income taxes, and non-GAAP pre-tax adjustments, as set forth above, from the GAAP net income. Aviat monitors the non-GAAP financial measures included above, and our management believes they are helpful to investors because they provide an additional tool to use in evaluating Aviat's financial and business trends and operating results. In addition, Aviat's management uses these non-GAAP measures to compare Aviat's performance to that of prior periods for trend analysis and for budgeting and planning purposes. 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.

The Company's forward-looking Adjusted EBITDA excludes estimates for depreciation and amortization, share-based compensation expense, restructuring charges and provision for income taxes. The Company has not reconciled its expectations as to Adjusted EBITDA to its most directly comparable GAAP measure due to the high variability and difficulty in making accurate forecasts and projections, particularly with respect to share-based compensation expense and restructuring charges. The actual amount of the excluded stock-based compensation expense and restructuring charges will have a significant impact on the Company's Adjusted EBITDA. Accordingly, a reconciliation of our forward-looking Adjusted EBITDA is not available without unreasonable effort.

**AVIAT NETWORKS, INC.
200C Parker Dr. Suite 100A
Austin, Texas 78728**

**Notice of Annual Meeting of Stockholders for Fiscal Year 2021
To Be Held on November 10, 2021**

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

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders for fiscal year 2021 (the “Annual Meeting”) of Aviat Networks, Inc. (the “Company”) will be held online only, on November 10, 2021, at 12:30 p.m. Central time. You may attend the Annual Meeting online via webcast by visiting www.virtualshareholdermeeting.com/AVNW2021 and entering your 16-digit control number included with the Notice of Internet Availability of Proxy Materials or proxy card. You will be able to vote your shares and submit questions while attending the Annual Meeting online for the following purposes:

1. To elect six directors to serve until the Company’s 2022 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 2022.
3. To hold an advisory, non-binding vote to approve the Company’s named executive officer compensation (“Say-on-Pay”).
4. To approve the Amended and Restated 2018 Incentive Plan.
5. 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 September 13, 2021, are entitled to notice of and to vote at the Annual Meeting or any adjournment, postponement or other delay thereof.

Whether or not you expect to attend the Annual Meeting online, 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

September 27, 2021

/s/ Peter A. Smith
President and Chief Executive Officer

**Important Notice Regarding the Availability of Proxy Materials
for the Stockholder Meeting to Be Held on November 10, 2021**

**This Proxy Statement for the 2021 Annual Meeting of Stockholders and
our Annual Report to Stockholders for the Fiscal Year Ended July 2, 2021 are available at
www.proxyvote.com**

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 NOVEMBER 10, 2021

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 2021 and any adjournment, postponement or other delay thereof (the “Annual Meeting”), to be held at 12:30 p.m., Central Time, on November 10, 2021. The Annual Meeting will be held online via webcast, at www.virtualshareholdermeeting.com/AVNW2021 (“Meeting Website”). Stockholders attending the meeting online via webcast will be able to submit questions and vote their shares electronically at the meeting. These proxy materials are being made available on or about September 27, 2021, to our stockholders entitled to notice of and to vote at the Annual Meeting.

To participate in the Annual Meeting, you will need the 16-digit control number included on your proxy card, voting instruction form or notice of internet availability. The Annual Meeting will begin promptly at 12:30 p.m., Central Time. Online access and check-in will begin at 12:15 p.m., Central Time. We encourage you to access the Meeting Website prior to the start time to allow ample time for login procedures and so you may address any technical difficulties before the Annual Meeting begins. If you encounter any difficulties accessing the webcast Annual Meeting during login or in the course of the meeting, please contact the phone number found on the login page at www.virtualshareholdermeeting.com/AVNW2021.

You may vote and ask questions during the Annual Meeting by following the instructions available on the Meeting Website at the time of the Annual Meeting. Stockholders may submit questions electronically, in real-time during the meeting. A list of stockholders entitled to vote at the Annual Meeting will be available for ten days prior to the Annual Meeting for examination by any stockholder for any purpose germane to the Annual Meeting by emailing our Investor Relations team at investorinfo@aviatnet.com. This list will also be available for such purposes during the Annual Meeting at the link to be provided upon your registration for 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 September 13, 2021, 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 the Company’s independent registered public accounting firm for fiscal year 2022, (iii) on an advisory, non-binding resolution to approve the Company’s named executive officer compensation (“Say-on-Pay”), (iv) to approve the Amended and Restated 2018 Incentive Plan of the Company (the “Amended and Restated Plan”), and (v) to transact such other business as may properly come before the Annual Meeting or any adjournment or postponement or other delay thereof.

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 September 13, 2021 (the “Record Date”). The Record Date was established by the Board as required by the Delaware General Corporation Law and the Amended and Restated Bylaws of the Company (the “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 11,187,111 shares of our common stock outstanding.

Who may attend the Annual Meeting?

All stockholders as of the Record Date, or their duly appointed proxies, may attend the Annual Meeting. Stockholders will be able to participate in the Annual Meeting online via webcast by visiting www.virtualshareholdermeeting.com/AVNW2021 and entering the 16-digit control number included in your Notice of Internet Availability of Proxy Materials, or on your proxy card or in the instructions that accompanied your proxy materials.

The Annual Meeting will begin promptly at 12:30 p.m. Central time. Online check-in will be available beginning at 12:15 p.m. Central time. Please allow ample time for online check-in procedures. If you encounter any difficulties accessing the webcast Annual Meeting during login or in the course of the meeting, please contact the phone number found on the login page at www.virtualshareholdermeeting.com/AVNW2021.

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 but did not receive a 16-digit control number from your bank or brokerage firm, please follow the instructions from your bank or brokerage firm, including any requirement to obtain a legal proxy. Most banks or brokerage firms allow a shareholder to obtain a legal proxy either online or by mail.

You may contact us by calling (512) 265-3680 for more information or directions on how to attend the Annual Meeting online.

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: You may attend the Annual Meeting online via webcast, vote, and submit a question during the Annual Meeting online by visiting www.virtualshareholdermeeting.com/AVNW2021 and using your 16-digit control number to enter the meeting even if you have previously returned a proxy card.

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

Pursuant to SEC rules, we have provided access to our proxy materials over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the “Notice”) to our stockholders of record and beneficial owners of shares held in “street name.” All stockholders entitled to vote at the Annual Meeting 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 of record may request delivery of proxy materials in printed form by mail or electronically by email on an ongoing basis. Please note that, while our proxy materials are available at the website

referenced in the Notice and on our website, no other information contained on either website is incorporated by reference into or considered to be a part of this document.

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 July 2, 2021 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, and Peter Smith, Director, President and Chief Executive Officer (“CEO”).

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, at 200 Parker Drive, Suite C100A, Austin, TX 78728;
- 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 online 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 online 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 appointment of independent registered public accounting firm): the affirmative vote by the holders of a majority of the voting power of the common stock present online 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 a majority of the voting power of the common stock present online 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 (approval of the Amended and Restated 2018 Incentive Plan of Aviat Networks, Inc.): the affirmative vote by the holders of a majority of the voting power of the common stock present online or

represented by proxy at the Annual Meeting and entitled to vote on the proposal is necessary for approval of Proposal No. 4. **The Board recommends a vote “FOR” Proposal No. 4.**

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 virtually through the webcast, 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, and No. 4, 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 2022 Annual Meeting?

For stockholder proposals that are not intended to be included in next year’s proxy statement and for director nominations that are intended to be included in next year’s proxy statement, 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 August 12, 2022, or later than September 11, 2022. The full requirements for the submission of proposals of business not intended to be included in the Company's proxy and of nominations of directors 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 May 27, 2022.

In accordance with the rules of the SEC, the proxies solicited by the Board for the 2022 Annual Meeting will confer discretionary authority on the proxy holders to vote on any director nomination or stockholder proposal properly presented at the 2022 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 Conduct, Corporate Governance Guidelines and written charters for the Governance and Nominating Committee, Audit Committee and Compensation Committee which are available in the Governance subsection of the Investors page of our website at <https://aviatnetworks.com>. 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 currently up to seven. Our Bylaws require that the Board have a minimum of three directors. Directors are nominated by the Governance and Nominating Committee of the Board. To further continue our commitment to Board diversity, the Board elected Michele Klein on May 13, 2021. To further accelerate the next phase of the Company's growth, two new director nominees will be voted on during the Annual Meeting as part of the Board Refreshment Program for fiscal year 2022 (the "Board Refreshment Program"). The Board recognizes the importance of Board refreshment to ensure that it benefits from fresh ideas and perspectives. In support of the Board Refreshment Program and the Board's transition, directors Dahlia Loeb, Kenneth Kong and John Quicke are not standing for re-election.

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 new nominees for director.

<u>Name</u>	<u>Title and Positions</u>
John Mutch	Director, Chairman of the Board
Michele Klein	Director
Kenneth Kong	Director
Dahlia Loeb	Director
John J. Quicke	Director
Peter Smith	Director, President and Chief Executive Officer
Dr. James C. Stoffel	Director

The Board has determined that each of our current directors other than Mr. Smith 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”). Our independent directors regularly meet in executive session without members of management present.

All of our directors are requested to attend our annual meetings of stockholders. Six of our seven directors, representing all of our current directors who were directors at the time of the 2020 Annual Meeting, attended our 2020 Annual Meeting either in-person or via telephone.

Director Selection Process

The Governance and Nominating Committee is responsible for leading the search for qualified individuals for election as directors to ensure the Board has an optimal mix of skills, expertise and diversity of background. The Governance and Nominating Committee recommends candidates to the full Board for election. Any formal invitation to a director candidate is authorized by the full Board. The Governance and Nominating Committee identifies candidates through a variety of means, including recommendations from members of the Board, suggestions from Company management and, from time to time, a third-party search firm. The Governance and Nominating Committee also considers candidates recommended by stockholders. Stockholders wishing to recommend director candidates for consideration by the Governance and Nominating Committee may do so by writing to the Secretary of the Company, giving the recommended candidate’s name, biographical data and qualifications.

Recently Appointed Directors

Michele Klein was recommended to the Governance and Nominating Committee by a current Board member. An experienced director of public and private companies, Ms. Klein brings over two decades of operations, investment and capital markets experience in a wide range of industries, including semiconductor, optical hardware, energy storage and tech-enabled services.

Director Nominees

Our Board selected two new director nominees based upon their diverse mix of skills, backgrounds, and perspectives, including their functional areas of experience, educational background, and employment experience. The new nominees are also thoughtful and responsible leaders who have consistently demonstrated their integrity, judgement, and intelligence. Based upon these qualifications and the recommendation of the Governance and Nominating Committee, our Board proposes that Bryan Ingram and Somesh Singh, who have not previously served on the Company’s Board, be elected as Directors alongside existing Directors Mr. Mutch, Ms. Klein, Mr. Smith and Mr. Stoffel. The Board has determined that each of Mr. Ingram and Mr. Singh 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 NASDAQ Listing Rules.

We expect each nominee standing for election as a director to be able to serve if elected. If any nominee is not able to serve, proxies will be voted in favor of the remainder of those nominated. There are no family relationships between or among any of our executive officers, directors, or director nominees.

There are no material legal proceedings in which any director, director nominee, officer, or affiliate of the Company or any owner of record or beneficial owner of more than 5 percent of any class of voting securities of the Company or any, associate of such director, officer, affiliate of the Company or security holder, is a party adverse to us or has a material interest adverse to us.

Board and Committee Meetings and Attendance

In fiscal year 2021, the Board held five regularly scheduled meetings and five special meetings. Each of the Board members attended 100% of the Board meetings and 100% of the total number of meetings of the committee or committees on which the member served, in each case, with respect to Board and committee meetings that took place while such director was a member of the Board.

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. Each director shall have the ability to apply good business judgment and must be able to exercise his or her duties of loyalty and care. Candidates for the position of director should exhibit proven leadership capabilities, high integrity, exercise high level responsibilities within their chosen careers, and have an ability to quickly grasp complex principles of business, finance, international transactions, and communication technologies. 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. On August 25, 2021, the Board unanimously approved one additional year of tenure for Dr. James Stoffel due to his years of industry experience and the current Board Refreshment Program.

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 65, 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., 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, 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 LLC, in March 2003, Mr. Mutch was appointed by the U.S. Bankruptcy court to the board of directors of Peregrine Systems, Inc., 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, Inc., 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. From April 2017 to May 2019, Mr. Mutch 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. From July 2017 to March 2018, he served as a director at YuMe, Inc., a provider of digital video brand advertising solutions, at which time YuMe was acquired by RhythmOne plc, a technology-enabled digital media company, and Mr. Mutch continued serving as a director on the RhythmOne board until January 2019. Mr. Mutch holds a Bachelor of Science in Economics from Cornell University and a Master of Business Administration from the University of Chicago.

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. For these reasons, we believe Mr. Mutch is qualified to continue serving on the Board.

Mr. Bryan Ingram, age 57, is a senior corporate executive and advisor whose technology career spans 35 years in executive management roles with industry leaders Broadcom, Avago, Agilent, HP, and Westinghouse. He has a proven record in the global semiconductor industry for delivering highly differentiated product performance, cost improvements, resilient supply chains, and driving growth through the wireless ecosystem. Mr. Ingram presently serves as a director for Smart Global Holdings, where he was elected in October 2018 and serves on the nominating and governance committee as well as the compensation committee. Mr. Ingram has also been a director for Anokiwave since June 2020. Most recently, from November 2019 to March 2020, Mr. Ingram served as a consultant for Broadcom, and he previously served as senior vice president and general manager of Broadcom's Wireless Semiconductor Division, from November 2015 to October 2019, where he oversaw the development, production, and marketing of RF components for handsets and other wireless devices. Prior to Broadcom, Mr. Ingram served as the Chief Operating Officer for Avago Technologies from April 2013 to October 2015. From October of 2015 until May 2016, Mr. Ingram served as the Senior Vice President and General Manager of the Wireless Semiconductor Division of Avago Technologies. Mr. Ingram holds a Bachelor of Science in Electrical Engineering from the University of Illinois and a Master of Science in Electrical Engineering from Johns Hopkins University. We believe Mr. Ingram's experience and success in the semiconductor industry, as well as supply chain expertise, qualify him to serve as a member of the Board.

Ms. Michele Klein, age 72, was appointed to the Board in May 2021. Ms. Klein is an experienced public company director, venture capital investor and Chief Executive Officer. In August 2021 Michele Klein was elected a director of Rockley (NYSE: RKLY), photonics chipset developer and module supplier for sensor and communication products, where she chairs the Nominating and Governance Committee. In 2019 Michele Klein was elected a director of Intevac (NASDAQ: IVAC), maker of night vision devices for defense and deposition systems for industry, where she serves on the Compensation and the Nominating and Governance Committees. In 2017 she was elected a director of Photon Control (TSX: PHO), a provider of optical sensors and systems to the semiconductor industry, where she chaired the M&A Committee and served on the Audit Committee until the Company's acquisition in July 2021. Ms. Klein has been the Chief Executive Officer of Jasper Ridge Inc., a private company developing technology to improve vision, since 2012. She is also a director of Gridtential Energy, a private energy storage company. From 2005 until 2010 Ms. Klein served as Senior Director of Applied Ventures LLC, the venture capital arm of Applied Materials, where she recommended and managed investments in energy storage and solar energy, and represented Applied Materials on the boards of seven technology companies. Ms. Klein co-founded Boxer Cross, a semiconductor equipment manufacturer, and served as Chief Executive Officer and Director from 1997 until its acquisition by Applied Materials in 2003. She previously co-founded and led High Yield Technology, a semiconductor metrology company, from 1986 until its acquisition by public Pacific Scientific in 1996. Ms. Klein earned a BS degree from the University of Illinois and an MBA from the Stanford Graduate School of Business. We believe Ms. Klein's decades of investment and capital markets experience, and knowledge of both public and private companies in a range of industries, including semiconductor, communications infrastructure, wireless and tech-enabled services, qualifies her to continue to serve as a director of the Company.

Mr. Somesh Singh, age 65, is a veteran software industry executive with over 30 years of experience in corporate leadership roles for global leaders including IBM, BMC Software, Attachmate, Vignette/OpenText, Paradigm Geophysical, and Emerson Electric. During the course of his decades-long career in software, Mr. Singh helped shape the technological

shift of the software industry and its application in telecommunications, enterprise, and government markets. Mr. Singh currently serves as a director for TiE (The Indus Entrepreneurs), where he has served since 2019. He also served as a director for Pratham USA, Houston from 2010 to 2017. Most recently, from October 2017 to December 2020, he served as chief product officer of Exploration & Production Software at Emerson Electric and, immediately prior, chief product officer at Paradigm Geophysical from February 2014 to October 2017. He also served as senior vice president of product management and engineering at NetIQ from November 2010 to December 2013, and led research and development, customer care, professional services, training and IT as senior vice president for R&D and technical operations at Vignette from January 2007 to January 2010. Prior to joining Vignette, Mr. Singh was vice president and general manager, Identity Management Business Unit, for BMC Software, Inc. Mr. Singh also served as president and chief operating officer of iVita Corporation, a Houston-based asset management software startup he founded and spent more than 12 years at IBM in several professional and management positions in manufacturing, research and development, and finance. Mr. Singh holds a Bachelor of Technology degree in Chemical Engineering from the Indian Institute of Technology, a Master's degree in Chemical Engineering from Columbia University, and an MBA from the Wharton School of Business, University of Pennsylvania. We believe Mr. Singh's extensive leadership and product development experience qualify him to serve as a director of the Company.

Mr. Peter Smith, age 55, has been our President and CEO since January 2020 and a member of the Board since February 2020. Mr. Smith has more than 25 years of leadership experience in business management and a proven track record of creating value for companies. He most recently served as Senior Vice President, US Windows and Canada for Jeld-Wen from March 2017 to December 2019, where he had full profit and loss responsibility for Jeld-Wen's \$1B+ windows business, implementing lean manufacturing principles and strategic development programs to deliver growth and improved profitability. Prior to Jeld-Wen, from October 2013 to March 2017, he served as President of Polypore International's Transportation and Industrial segment and oversaw transformative initiatives that helped prepare the former public company for sale to the Asahi Kasei Group. Previously, he served as Chief Executive Officer and a director of Voltaix Inc., until its sale to Air Liquide.

Earlier in his career, Mr. Smith held various executive leadership positions at Fortune 100 and Fortune 500 companies, including Cooper Industries, Dover Knowles Electronics and Honeywell Specialty Materials. In these roles, his responsibilities ran the gamut of operations, sales and marketing, business development, and mergers and acquisitions. Mr. Smith also served on the boards of Adaptive 3D from 2020 to 2021 and Soleras Advanced Coatings from 2015 to 2018. He has both a Bachelor of Science degree in Material (Ceramics) Engineering and PhD in Material Science and Engineering from Rutgers University, and holds a Master of Business Administration degree from Arizona State University. We believe Mr. Smith's executive leadership experience and position as the Company's CEO qualify him to continue serving on the Board.

Dr. James C. Stoffel, age 75, has served as a member of the Board since January 2007 and was the lead independent director for Aviat from July 2010 to February 2015. In addition, Dr. Stoffel currently serves on the board of directors of PAR Technology Corporation, a NYSE listed company which provides software as a service (SaaS) and related solutions to the hospitality industry. He has been on the PAR board of directors since November 2017 and is currently the Lead Independent Director of PAR and chairman of the Compensation Committee. Since June 1, 2020, Dr. Stoffel has served as a director on the board of EZAccess MD. Dr. Stoffel retired from the board of directors of Harris Corporation in October 2018, having served since August 2003. He also retired in December 2018 from Trillium International, LLC, a private equity company, where he served as co-founding General Partner since 2006. He continues to be an advisor to multiple private equity firms. Prior to his private equity work, 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, where he began his career in 1972. His most recent position with Xerox Corporation was Vice President, Corporate Research and Technology. Dr. Stoffel holds a Bachelor of Science in Electrical Engineering from the University of Notre Dame and received his Master of Science and PhD from Syracuse University.

Dr. Stoffel's prior service as a senior executive of large, publicly traded, technology driven companies and his more than 30 years of 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 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's oversight of major risks occurs at both the full Board level and at the Board committee level. The Board 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. Management is responsible for establishing the Company's business strategy, identifying and assessing the related risks and implementing appropriate risk management practices. 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.

In addition, each of our Board committees also oversees the management of risks that fall within the committee's areas of responsibility. In performing this function, each committee has full access to management, as well as the ability to engage advisors. The Audit Committee oversees the Company's compliance with legal and regulatory requirements. The Governance and Nominating Committee assists the Board in shaping the corporate governance of the Company. The Compensation Committee oversees the management of risks relating to the Company's executive compensation plans and incentive structure.

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 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 Insider Trading Policy, directors and executive officers are prohibited from short sales of Aviat securities, entering into puts, calls or other derivative securities, 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. An exception to this prohibition may be granted where a person wishes to pledge Company securities as collateral for a loan (not including margin debt) and clearly demonstrates the financial capacity to repay the loan without resort to the pledged securities. Insiders 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 <https://investors.aviatnetworks.com/corporate-governance/documents-charters>.

The following table shows, at the conclusion of fiscal year 2021, the Chairman and members of each committee, the number of committee meetings held, and the principal functions performed by each committee as described in such committee's charter:

Committee	Number of Meetings in Fiscal 2021	Members	Principal Functions
Audit	4	John Mutch* John J. Quicke Dr. James C. Stoffel	<ul style="list-style-type: none"> • 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 independent registered public accounting firm's and management's assessment of the adequacy of financial reporting and operating controls • Monitors corporate compliance program • Reviews the process by which management identifies and mitigates key areas of risk • Reviews the Company's audited and unaudited financial results in the Company's annual and quarterly reports on Form 10-K, Form 10-Q and earnings releases • Reviews the scope and responsibilities of the internal audit program and on the appointment of the individual or firm serving in such capacity • Reviews and approves all related party transactions
Compensation	5	Dr. James C. Stoffel* John J. Quicke Kenneth Kong Dahlia Loeb	<ul style="list-style-type: none"> • Reviews our executive compensation policies and strategies • Oversees and evaluates our overall compensation structure and programs • Ensures that an executive performance evaluation is in place • Reviews and oversees management's continuity planning processes • Annually reviews incentive compensation arrangements and their contribution to the desired risk management policy and practices
Governance and Nominating	6	John J. Quicke* Dr. James C. Stoffel John Mutch Michele Klein	<ul style="list-style-type: none"> • Develops and implements policies and practices relating to corporate governance • Reviews and monitors implementation of our governance policies and procedures • Establish, implement, and monitor the processes for (a) effective communication with stockholders and (b) consideration of stockholder proposals • Reviews and oversees management's continuity planning processes • 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 • Develops, recommends, and oversees an annual self-evaluation process of the Board and its committees

* 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, internal audit program, related party transactions, corporate financial reporting and system of internal controls over financial reporting. No material amendments to the Audit Committee Charter were made during fiscal year 2021. During fiscal year 2021, 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 and Mr. Quicke qualify as “audit committee financial experts,” as defined under Item 407(d)(5)(i) of Regulation S-K under the Securities Act of 1933 and the Exchange Act and that Mr. Mutch, Dr. Stoffel and Mr. Quicke are independent under the NASDAQ Listing Rules and Rule 10A-3(b)(1) of 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.

Following the Annual Meeting, it is expected that John Mutch, Dr. James Stoffel and Bryan Ingram will serve on the Audit Committee for fiscal year 2022 with Mr. Mutch remaining as chair. Each of Messrs. Mutch, Stoffel and Ingram are independent under NASDAQ listing standards and Rule 10A-3(b)(1) of the Exchange Act.

Compensation Committee

The Compensation Committee has the authority and responsibility to approve our overall executive compensation strategy, to ensure that performance evaluation processes are in place for the Company’s executives, to administer our annual and long-term compensation plans, to annually review the incentive compensation arrangements and their contribution to desired risk management policy and practices, 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 2021, the Compensation Committee utilized Pearl Meyer & Partners, LLC (“Pearl Meyer”) and Compensia, Inc. (“Compensia”) as independent, third-party consulting firms.

Following the Annual Meeting, it is expected that Dr. James Stoffel, Michele Klein, Somesh Singh and Bryan Ingram will serve on the Compensation Committee for fiscal year 2022 with Dr. Stoffel remaining as chair. All the expected members of the Compensation Committee for fiscal year 2022 are independent under the NASDAQ Listing Rules.

Compensation Committee Interlocks and Insider Participation

No member or nominee 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. For a description of transactions between us and members of our Compensation Committee and affiliates of such members, if any, please see “Transactions with Related Persons.”

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 establishes, implements, and monitors the processes for (a) effective communication with stockholders and (b) consideration of stockholder proposals. The Governance and Nominating Committee also reviews the process by which management identifies and mitigates key areas of risk and reviews and oversees management’s continuity planning processes.

The Governance and Nominating Committee also recommends candidates to the Board and periodically reviews whether a more formal selection policy should be adopted. The Governance and Nominating Committee does not have a specific policy with regard to the consideration of any director candidates recommended by security holders, and 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 utilized an executive search firm to identify and assist in identifying or evaluating potential nominees in fiscal year 2021.

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.

Following the Annual Meeting, it is expected that Dr. James Stoffel, Michele Klein, and John Mutch will serve on the Governance and Nominating Committee for fiscal year 2022 with Ms. Klein serving as chair. All the expected members of the Governance and Nominating Committee for fiscal year 2022 are independent under the NASDAQ Listing Rules.

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 <https://investors.aviatnetworks.com/investor-resources/contact-us> or by sending a letter addressed to: Aviat Networks, Inc., c/o Corporate Secretary, 200 Parker Drive, Suite C100A, Austin, TX 78728. 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 and as amended February 10, 2021. All of our employees, including the CEO and CFO, 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 Company 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 2021, 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, director nominees, 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.”

The Company does not have a formal written policy with respect to the review, approval, or ratification of transactions with related persons, other than the Audit Committee’s responsibility to review such transactions as described in its charter, but has established procedures to identify these transactions, if any, and bring them to the attention of the Audit Committee of the Board for consideration. These procedures include a quarterly assessment in connection with our quarterly financial risk assessments. The Audit Committee of the Board considers the following regulatory guidance: (i) Item 404(a) of Regulation S-K of the Securities Act of 1933, as amended (Transactions with Related Persons); (ii) Accounting Standards Codification Topic 850 (Related Party Disclosures); (iii) Public Company Accounting Oversight Board Auditing Standard No. 18 (Related Parties); and (iv) the NASDAQ’s governance standards related to independence determinations.

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 Board has delegated responsibility to the Compensation Committee to determine the form and amount of director compensation, which 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 2021:

- \$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; in May 2021, the Board approved an increase in the annual cash retainer for services as Chairman of the Board to \$40,000 effective at the beginning of fiscal year 2022.
- \$20,000 annual cash retainer, payable on a quarterly basis, for service as Chairman of the Audit Committee;
- \$10,000 annual cash retainer, payable on a quarterly basis, for service as Chairman of the Governance and Nominating Committee;
- \$15,000 annual cash retainer, payable on a quarterly basis, for service as Chairman of the Compensation Committee; and
- Annual grant of restricted stock units (“RSUs”) under our 2018 Incentive Plan (the “2018 Plan”) valued at \$75,000, with 100% vesting at the earlier of (1) the day before the date of the Annual Meeting, or (2) the first anniversary of the 2020 annual stockholders’ meeting, subject to continuing service as a director through such earlier date. The value of the annual grant of RSUs for fiscal year 2022 was increased to \$100,000 by the Board in May 2021.

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.

As adopted by the Company’s Board of Directors in November 2019, members of the Board shall achieve ownership of three times (3x) such director’s annual cash retainer (exclusive of chairperson or committee fees). A director is required to achieve compliance with the foregoing ownership requirement by the later of (a) five years from the date of adoption of the guidelines, or (b) five years from the start of such director’s directorship with the Company. All vested RSUs or Company shares purchased by a director in the open market shall be counted toward a director’s ownership requirement.

Fiscal Year 2021 Compensation of Non-Employee Directors

Our non-employee directors received the following aggregate amounts of compensation in respect of fiscal year 2021:

Name	Fees Earned in Cash	Stock Awards ⁽²⁾	Total
	(\$)	(\$)	(\$)
Michele Klein ⁽¹⁾	15,000	37,863	52,863
Kenneth Kong	71,250	71,842	143,092
Dahlia Loeb	72,062	71,842	143,904
John Mutch	125,783	71,842	197,625
John J. Quicke	84,056	71,842	155,898
Dr. James C. Stoffel	90,063	71,842	161,905

- (1) Ms. Klein was appointed by the Board as a non-employee director, effective May 17, 2021. Ms. Klein was appointed to the Governance and Nominating Committee on June 29, 2021. She received a pro-rated annual cash retainer and equity award for her service on the Board during the fourth quarter of fiscal year 2021.
- (2) The amounts shown in this column reflect the aggregate grant date fair value of RSUs granted to our non-employee directors computed in accordance with FASB ASC Topic 718, determined without regard to estimated forfeitures. The assumptions made in determining the fair values of our stock awards and option awards are set forth in Notes 1 and 9 to our fiscal year 2021 Consolidated Financial Statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended July 2, 2021, as filed with the SEC on August 25, 2021.

As of July 2, 2021, our non-employee directors held the following numbers of unvested RSUs, all of which were granted under the 2018 Plan:

Name	Unvested Stock Awards
Michele Klein	1,329
Kenneth Kong	6,078
Dahlia Loeb	6,078
John Mutch	6,078
John J. Quicke	6,078
Dr. James C. Stoffel	6,078

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 September 13, 2021, 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., 200 Parker Drive, Suite C100A, Austin, TX 78728. As of September 13, 2021, there were 11,187,111 shares of our common stock outstanding.

<u>Named Executive Officers and Directors</u>	<u>Common Shares Currently Held⁽¹⁾</u>	<u>Common Shares That May Be Acquired Within 60 Days of the Record Date⁽²⁾</u>	<u>Total Beneficial Ownership</u>	<u>Percentage Beneficially Owned</u>
John J. Quicke	81,046	6,078	87,124	*
Dr. James C. Stoffel	70,480	6,078	76,558	*
John Mutch	64,378	6,078	70,456	*
Kenneth Kong	34,836	6,078	40,914	*
Dahlia Loeb	4,920	6,078	10,998	*
Michele Klein	—	1,329	1,329	*
Bryan Ingram	—	—	—	—
Somesh Singh	—	—	—	—
Peter Smith	57,868	8,796	66,664	*
Eric Chang	19,356	24,100	43,456	*
Bryan Tucker	3,263	24,590	27,853	*
All directors, nominees for director and executive officers as a group (11 persons)	<u>336,147</u>	<u>89,205</u>	<u>425,352</u>	<u>3.8%</u>

* Less than one percent

- (1) Beneficial ownership is determined under the rules and regulations of the SEC, and generally includes voting or dispositive power with respect to such shares.
- (2) Shares of common stock that a person has the right to acquire within 60 days are deemed to be outstanding and beneficially owned by that person for the purpose of computing the total number of shares beneficially owned by that person and the percentage ownership of that person, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person or group. Accordingly, the amounts in the table include shares of common stock that such person has the right to acquire within 60 days of September 13, 2021 by the exercise of stock options or vesting of restricted stock units.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

For fiscal year 2021, the Audit Committee consisted of three 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 and the effectiveness of our internal control over financial reporting, 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 ("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 the effectiveness of our internal control over financial reporting and approves in advance all audit and non-audit services provided by our independent auditors in accordance with applicable regulatory requirements. The Audit Committee also considers, in advance of the provision of any non-audit services by our independent registered public accounting firm, whether the provision of such services is compatible with maintaining their independence.

In accordance with its responsibilities, the Audit Committee has reviewed and discussed with management the audited financial statements for the year ended July 2, 2021 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 the applicable requirements of the Public Company Accounting Oversight Board ("PCAOB") and the SEC. 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 July 2, 2021 be included in Company's Annual Report on Form 10-K.

Audit Committee of the Board of Directors

John Mutch, Chairman

John J. Quicke

Dr. James C. Stoffel

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES

BDO was our independent registered public accounting firm for the fiscal years ended July 2, 2021 and July 3, 2020. Representatives of BDO will be present at the Annual Meeting, will have an 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 2021 ⁽¹⁾	Fiscal Year 2020 ⁽¹⁾
Audit Fees ⁽²⁾	\$ 1,387,000	\$ 1,071,000
Audit Related Fees	—	—
Tax Fees ⁽³⁾	248,000	5,000
All Other Fees	—	—
Total Fees for Services Provided	\$ 1,635,000	\$ 1,076,000

- (1) Includes fees to be billed to us by BDO and BDO's international affiliates for fiscal 2021 and 2020 financial statement audits, internal control over financial reporting, quarterly reviews and statutory audits.
- (2) Audit fees include fees associated with the annual audit of our consolidated financial statements, internal control over financial reporting, 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) Tax fees were for services related to tax compliance, tax advice, tax planning services and transfer pricing. Tax compliance was \$160,000 for fiscal 2021, compared to zero for fiscal 2020.

BDO did not perform any professional services related to financial information systems design and implementation for us in fiscal year 2021 or fiscal year 2020.

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 2021 and 2020, 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 awarded to, earned by, or paid to each of our named executive officers (our “named executive officers”) during fiscal 2021 (defined as July 4, 2020 – July 2, 2021) as detailed in the Summary Compensation Table below and in the other tables and narrative discussion that follow.

<u>Named Executive Officer</u>	<u>Position</u>
Peter A. Smith	President and Chief Executive Officer
Eric Chang	Senior Vice President and Chief Financial Officer
Bryan Tucker	Senior Vice President, Americas Sales and Services

The executive team successfully led the Company to achieve 15.2% revenue growth and record profitability with adjusted EBITDA margin at 11.9%. The executive team’s accomplishments during fiscal year 2021 led to the first year of meaningful topline growth in six years and improvements to our gross margin and overall profitability. The executive team also continued to operationalize an expense reduction program with cost savings reinvested in growth-related initiatives.

On April 7, 2021 the Company effected a two-for-one stock split in the form of a stock dividend to shareholders of record as of April 1, 2021. The equity award amounts for all periods presented have been retrospectively reclassified to reflect the two-for-one stock split in the form of a stock dividend.

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 compensation and other benefits, our named executive officers’ compensation opportunity is 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. 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.
- The Compensation Committee is made up of independent, non-employee members of the Board and oversees the executive compensation program for our named executive officers. The Compensation Committee works closely with its independent compensation consultant and management to evaluate the effectiveness of the Company’s executive compensation program throughout the year. The Compensation Committee’s specific responsibilities are set forth in its charter, which can be found on the Company’s website at <http://investors.aviatnetworks.com/committee-details/compensation-committee>. In reviewing the elements of our executive compensation program - base salary, annual cash 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 fairly, as compared to the compensation of our 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 “clawback” any excess amounts paid in the event of a later correction or restatement of our financial statements.
- As a result of the novel coronavirus disease (“COVID-19”) we did not conduct our annual pay review of executive compensation in August 2020, but instead elected to generally maintain named executive officer compensation levels set in fiscal year 2020 for fiscal year 2021. That being said, our CFO received a salary increase effective July 4, 2020 in connection with his promotion to CFO on April 3, 2020 and our CEO received a performance-related increase to his base salary on January 20, 2021 and on July 1, 2021.
- 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 2021.

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 2021, 100% of the annual cash bonuses granted pursuant to the Annual Incentive Plan (the “AIP”) was performance-based and at-risk, subject to the Company’s achievement of certain financial objectives. Under our 2018 Long Term Incentive Plan (the “2018 Plan”), one-third of the equity awards value granted to the name executive officers during the fiscal year 2021 were performance-based restricted stock units (which, if based on the Company’s stock price are referred to herein as “MSUs” and if based on other performance criteria as described herein are referred to as “PSUs”), the vesting of which is subject to achievement of a targeted financial measure. All equity grants are subject to the 2018 Plan.
- **Mix of short-term and long-term compensation:** Short-term compensation for our named executive officers is comprised of base salaries and bonuses payable pursuant to the AIP, which pays out only to the extent that the Company achieves its financial targets. Long-term compensation, granted under the 2018 Plan is comprised of PSUs and MSUs, stock options and time-based restricted stock units (“RSUs”) for fiscal year 2021. PSUs and MSUs are earned, if the performance or market-based criteria, as applicable, are met, at the end of a three-year plan cycle, while stock options vest annually 1/3 at the end of each successive anniversary of the date of grant and RSUs cliff vest after three years.
- **Independent compensation consultant:** The Compensation Committee directly retains the services of Compensia, an independent compensation consultant, to advise it in determining reasonable and market-based compensation policies and practices.
- **Prohibition on hedging and pledging:** Our named 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 named executive officers are not provided any perquisites other than our occasional provision of relocation expense reimbursement.
- **No single trigger change of control acceleration:** Change of control arrangements in the employment agreements with our named executive officers include “double trigger” vesting provisions providing for acceleration of vesting of outstanding unvested equity awards only in the event that both a change of control occurs, and the named executive officer’s employment terminates thereafter for reasons specified in the employment agreements.
- **No tax gross-ups:** We do not provide gross-up payments to cover our named executive officers’ personal income taxes that may pertain to any of the compensation or benefits paid or provided by the Company.

- **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.
- **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 and retain outstanding executives and incentivize them to create longer-term value for our stockholders. 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 its design and policies remain appropriately aligned with our evolving business needs and to consider best compensation practices. Our executive compensation program is also reviewed to ensure that it achieves a balance between providing meaningful retention and performance incentives to our executives while managing 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 in a manner consistent with our compensation objectives and principles. The Compensation Committee 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 named executive officers other than our CEO. The independent members of the full Board approve the compensation level, individual AIP objectives, and financial targets for our CEO, based on recommendations from the Compensation Committee. 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 named executive officers. Following each fiscal year end, our CEO, assisted by our Human Resources Department, assesses the performance of all executives other than the CEO. Following this annual performance review process, our CEO recommends base salary and incentive awards for executives (other than himself) to the Compensation Committee. The CEO, with the help of management and the independent consultant, makes recommendations to the Compensation Committee regarding the plan design of the overall executive compensation program for review, discussion and approval. The Compensation Committee is also responsible for developing pay recommendations for the CEO and in securing the full Board's approval of these recommendations annually.

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 hired Compensia in May of 2021 as an independent consultant to advise the Compensation Committee on matters related to the compensation of the Company's executive officers. Prior to the transition to Compensia, Pearl Meyer served as our outside advisor. All services that Compensia and Pearl Meyer provided to Aviat in fiscal year 2021 were approved by the Compensation Committee and were related to executive or Board compensation. Compensia 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 Compensia and Pearl Meyer pursuant to NASDAQ Listing Rules and related SEC rules and found no conflict of interest in Pearl Meyer nor Compensia providing advice to the Compensation Committee during fiscal year 2021. The Compensation Committee is also regularly advised by the Company's primary outside counsel, Vinson & Elkins LLP ("V&E"). Pursuant to the NASDAQ Listing Rules and related SEC rules, the Compensation Committee has found no conflict of interest in V&E 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 2020 Annual Meeting, 94.6% 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 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 named 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 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 Positioning

Our management and Compensation Committee consider external data to assist in evaluating and setting target total direct compensation. Our compensation policy and practice is to target total compensation levels for all executive officers, including our named executive officers, at competitive levels 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 direct compensation above or below the 50th percentile of the market data 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 way target total direct compensation opportunity is determined for any of our executive officers.

For fiscal year 2021, targets for total cash and cash-based compensation (base salary and short-term incentive compensation pursuant to the AIP), long-term incentives and total direct compensation (base salary, and short- and long-term incentive compensation) for our named executive officers were set based on data collected by Pearl Meyer from our proxy peer group companies and from a proprietary survey source, using results for technology companies with median annual revenues of \$394 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 2021, these peer group companies included:

ADTRAN, Inc.	Applied Optoelectronics, Inc.
Bel Fuse, Inc.	Calix, Inc.
Casa Systems, Inc.	Clearfield, Inc.
Comtech Telecommunications Corp.	DASAN Zhong Solutions, Inc.
Digi International, Inc.	EMCORE Corp.
Harmonic, Inc.	Inseego Corp.
Park Aerospace Corp.	PCTEL, Inc.
Ribbon Communications, Inc.	Richardson Electronics, Ltd.

Each year, the Compensation Committee with the compensation consultant reviews the appropriateness of the comparison group used for assessing the compensation of our CEO and other named executive officers. For fiscal year 2021, we removed Aerohive Networks as they were acquired by Extreme Networks and their compensation information is no longer available. The fiscal year 2021 peer group consists of 16 companies located throughout the U.S, with Aviat positioned at or near the median for revenue and other financial metrics.

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

Total Compensation Elements

Our executive compensation program includes four primary elements:

- base salary
- annual incentive compensation pursuant to the AIP
- long-term compensation (equity incentives)
- post-termination compensation

Each named executive officer's performance is measured against factors such as short- and long-term strategic goals and financial measures of our performance, including revenue, return on invested capital ("ROIC"), and adjusted earnings before interest, taxes, depreciation and amortization, AIP expenses and other non-GAAP items ("Gross Adjusted EBITDA"). Details regarding the applicable financial targets for incentive awards are described below.

Base Salary

Base salaries are provided as compensation for day-to-day responsibilities and services. Executive salaries are reviewed annually. Our CEO generally makes recommendations to the Compensation Committee in August of each year regarding the base salary of each named executive officer, other than himself. The Compensation Committee considers each named 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. For the beginning of fiscal year 2021, the CEO recommended, and the Compensation Committee approved, that the base salaries for named executive officers be held flat at fiscal 2020 levels due to the COVID-19 pandemic. Mr. Smith's base salary was increased from \$400,000 to \$500,000 on January 20, 2021 and to \$650,000 on July 1, 2021 in recognition of performance and Mr. Chang's base salary was increased from \$280,000 to \$300,000 on July 4, 2020 in connection to his appointment as Chief Financial Officer on April 3, 2020. Additional details concerning the compensation for our named executive officers for fiscal year 2021 are set forth in the Summary Compensation Table below.

Annual Incentive Plan (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 its independent compensation 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 named executive officer.

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 and is paid in the form of cash. For fiscal year 2021, individual AIP target incentives were set at 70% of base salary for Mr. Smith and 50% for Messrs. Chang and Tucker, in each case prorated for the number of days employed by the Company and salary adjustments during fiscal year 2021. Executives can earn more or less than target if minimum or maximum performance levels are achieved. No incentive can be earned if the Company does not achieve the minimum performance thresholds.

For fiscal year 2021, the AIP provided for an all-cash payout. The performance metric was 85% based on Gross Adjusted EBITDA and 15% based on revenue. The following table outlines the minimum, target and maximum performance and payout levels approved by the Compensation Committee for fiscal year 2021.

Fiscal Year 2021 Annual Incentive Plan - Minimum, Target and Maximum Thresholds

	Minimum	Target	Maximum
Fiscal Year 2021 AIP (85%)	Earn 50%	Earn 100%	Earn 150%
Gross Adjusted EBITDA	\$12,000,000	\$16,800,000	\$21,500,000
Fiscal Year 2021 AIP (15%)	Earn 80%	Earn 100%	Earn 120%
Revenue	\$220,800,000	\$245,300,000	\$269,800,000

In fiscal year 2021, the AIP met both the Gross Adjusted EBITDA target at 150% and the Revenue target at 120%. During fiscal year 2021, the Company experienced significant events that could have impacted achievement of the targeted Gross Adjusted EBITDA metric and revenue metric, including the COVID-19 pandemic which significantly impacted worldwide economic conditions and ongoing supply chain shortages. No adjustments were made to the performance objectives, the target performance or the actual results for these significant events. During the 2021 fiscal year, partially as a result of management's swift actions to counter the aforementioned events, we achieved maximum target performance for the Gross Adjusted EBITDA metric and the revenue metric. All named executive officers earned a payout as shown in the Summary Compensation Table below.

Long-Term Incentive Compensation

Our equity awards under our 2018 Plan are 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 longer period. Using equity awards helps us to retain executives, encourage share ownership and maintain a direct link between our executive compensation program and stockholder value creation. The Company utilizes stock options as a component of executive compensation because they have value only if the Company's share price increases and, therefore, motivate our executives to drive sustained, long-term stockholder value creation. Time-vesting RSUs are a component of executive compensation to further align our executives' interests with those of stockholders. Because these awards typically vest after a specified period following the date of grant, they also incentivize our executives to remain in our employ. PSUs and MSUs are a component of executive compensation to ensure our executives' incentives are tied directly to key drivers of stockholder value growth. PSUs and MSUs also play a role in executive retention, as a named executive officer is required to remain employed through the applicable vesting date in order to receive the shares underlying the PSUs or MSUs as applicable.

For fiscal year 2021, the named executive officers were eligible to receive equity incentive awards. As has historically been the Company's practice, these equity incentive awards were granted in September 2020 following the filing of the Annual Report on Form 10-K using a combination of PSUs or MSUs as applicable, stock options, and RSUs. Performance metrics and payout levels for the three-year performance period applicable to the PSUs and MSUs granted during fiscal year 2021 were established at the beginning of fiscal year 2021.

Equity Vehicle	Weighting	Purpose/Description
PSUs	1/3	The PSUs are subject to three-year cliff vesting from the issuance date assuming achievement of ROIC and revenue growth target over a three-year performance period starting fiscal year 2021 and continued employment through the vesting date in September 2023.
Stock options	1/3	Strike price: Determined based on the closing stock price on the date of grant Vesting: One-third annually for a three year period from the issuance date assuming continued employment through the vesting date Expiration: Seven years from date of grant if not exercised
RSUs	1/3	Three-year cliff vesting from the issuance date assuming continued employment through the vesting date
MSUs	—	The MSUs are subject to two and three years vesting from the issuance date (as outlined in the grant) subject to achievement of certain stock-price achievements over two- or three-year performance periods and continued employment through the applicable vesting dates.

The table below shows the equity incentive award values granted for fiscal 2021 for each of the named executive officers. The total value amounts in the table were determined by reviewing Peer Group data and the Company's historical performance. The total value amounts were calculated based on similar cash compensation percentages available to the named executive officers and the performance of the Company's share price for Mr. Smith. Included below for Mr. Smith were 72,000 MSUs issued on January 20, 2021 (adjusted for 2-for-1 stock split effected on April 7, 2021), that will vest based upon the Company achievement of certain stock price hurdles and Mr. Smith's continued employment.

Named Executive Officer	PSUs (at target) and MSUs (at target) ⁽¹⁾	Stock Options ⁽²⁾	RSUs ⁽³⁾	Total Value
Peter Smith ⁽⁴⁾	\$ 1,107,450	\$ 94,715	\$ 94,710	\$ 1,296,875
Eric Chang	\$ 50,732	\$ 50,742	\$ 50,732	\$ 152,206
Bryan Tucker	\$ 70,180	\$ 70,191	\$ 70,180	\$ 210,551

- (1) The grant date fair value of the PSUs and MSUs were determined under FASB ASC Topic 718 excluding the effect of estimated forfeitures.
- (2) Individual award amounts were calculated based on Black-Scholes values.
- (3) The grant date fair value of the RSUs was determined under FASB ASC Topic 718 and was calculated using the closing market price of our common stock on the respective grant dates.
- (4) In addition to a grant of 8,610 target PSUs on September 1, 2020, Mr. Smith received 72,000 target MSUs on January 20, 2021 that will vest based on the Company's achievement of certain stock price hurdles and Mr. Smith's continued employment. Of the 72,000 target MSUs, 30,000 target MSUs has a target closing price of the Company's common stock greater than or equal to \$25.00 per share for three consecutive days on or prior to December 31, 2022 in order for the MSUs to vest. If the performance measure is reached prior to December 31, 2022, then the MSUs will convert to RSUs that will vest on December 31, 2022. The remaining 42,000 target MSUs have a target closing price of the Company's common stock greater than or equal to \$30.00 per share for three consecutive days on or prior to December 31, 2023 in order for the MSUs to vest. If the performance measure is reached prior to December 31, 2023, then the MSUs will convert to RSUs that will vest on December 31, 2023.

Perquisites

Our named 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 other than occasional relocation expense reimbursement.

Generally Available Benefit Programs

In fiscal year 2021, 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.

The named executive officers and all other eligible U.S.-based employees 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 eligible compensation contributed. Each employee under the age of 50 can contribute a maximum of \$19,500 during each calendar year, and each employee over the age of 50 can contribute a maximum of \$26,000.

The 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 under our employee stock purchase plan. 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 benefits generally available to all other U.S.-based employees 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 is terminated. We have determined that such payments and benefits are an integral part of a competitive compensation package for our named executive officers. Effective May 13, 2021, the Company entered into an amendment to Mr. Smith's employment agreement that removed the \$750,000 cap on the cash severance amounts payable to Mr. Smith in connection with his termination of employment following a "Change in Control" (as defined in his employment agreement and described below under "Potential Payments Upon Termination or Change in Control" below). For additional information regarding our employment agreements with our named executive officers, see the discussion under "Potential Payments Upon Termination or Change of Control."

The employment agreements do not provide any tax-related gross-up payments to our named executive officers in connection with a termination or a "Change in Control" transaction.

Actions Taken Following 2021 Fiscal Year End

In connection with exemplary performance during the 2021 fiscal year, on July 3, 2021, the Company entered into a second amendment to Mr. Smith's employment agreement (the "Smith Amendment"). The Smith Amendment provided for (i) an increase to Mr. Smith's base salary from \$500,000 to \$650,000, effective July 1, 2021, (ii) an increase to Mr. Smith's target bonus under the AIP for the 2022 fiscal year to \$925,000 (zero to 200% of which may be paid out based on performance achieved), and (iii) an increase to the target value of the long term incentive compensation to be granted to Mr. Smith during the 2022 fiscal year such that the cumulative target value of equity awards granted to Mr. Smith during the 2022 fiscal year shall be \$2,300,000. In connection with the Smith Amendment, on July 3, 2021, Mr. Smith was provided 24,240 PSUs, 59,422 stock options and 24,049 RSUs under the 2018 Plan, all of which will vest in full upon Mr. Smith's termination of employment for any reason other than for "Cause" or due to his "Voluntary Termination" (each as defined in Mr. Smith's employment agreement, as described below under "Potential Payments Upon Termination or Change in Control"). The Smith Amendment also provides that if Mr. Smith is terminated by the Company other than for Cause within one year following a Change in Control, or voluntarily terminates his employment for "Good Reason" (as defined in Mr. Smith's

employment agreement, as described below under “Potential Payments Upon Termination or Change in Control”) within such period, then he will receive (i) cash severance equal to two times the sum of his annual base salary and the target bonus amount in effect on the date of termination under the AIP prorated for the period worked, (ii) payment of all premiums for continued healthcare pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”) for up to 18 months, and (iii) vesting of all unvested stock options granted to Mr. Smith and all other then-unvested equity related awards held by Mr. Smith that vest based solely on continued employment by the Company (unless otherwise restricted by such equity-related awards).

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.

Tax and Accounting Considerations

Section 162(m) of the Internal Revenue Code of 1986 (the “Code”), as amended, generally imposes a \$1 million limit on the amount of compensation paid to “covered employees” (as defined in Section 162(m)) that a public corporation may deduct for federal income tax purposes in any year. Compensation paid to certain of our named executive officers will be subject to the \$1 million per year deduction limitation imposed by Section 162(m). While we will continue to monitor our compensation programs in light of the deduction limitation imposed by Section 162(m), our Compensation Committee considers it important to retain the flexibility to design compensation programs that are in the best long-term interests of the Company and our stockholders. As a result, we have not adopted a policy requiring that all compensation be fully deductible. The Compensation Committee has concluded that paying compensation at levels in excess of the limits under Section 162(m) is in the best interests of the Company and our stockholders in certain circumstances.

Hedging and Pledging Prohibition

Our named executive officers, as well as all other employees, directors and their designees 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, calls, collars or other derivative securities, whether granted pursuant to the 2018 Plan, or held directly or indirectly by the covered individual.

Stock Ownership Guidelines

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

Risk Considerations in Our Compensation Program

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

- (a) Our compensation program is designed to provide a mix of both fixed and “at risk” incentive compensation.
- (b) Our Compensation Committee and management team have responsibility for managing the administration, determination and approval of total and, in the case of the named executive officers, the Compensation Committee is responsible for individual approval of payouts under the incentive plans.
- (c) The incentive elements of our compensation program (annual incentives and multi-year equity awards) are designed to reward both annual performance (under the AIP) and longer-term performance (under the 2018 Plan).

We believe this design mitigates any incentive for short-term risk-taking that could be detrimental to our company's long-term best interests.

- (d) The performance periods for our PSUs overlap, and our time-vested RSUs generally cliff vest after three years. This mitigates the motivation to maximize performance in any one period at the expense of others.
- (e) Maximum payouts under our AIP are currently capped at 150% of the target award opportunity set by the Compensation Committee. We believe these limits mitigate excessive risk-taking, since the maximum amount that can be earned is limited.
- (f) Finally, our AIP and our 2018 Plan both contain provisions under which awards may be recouped or forfeited if the recipient has not complied with our policies. In addition, our performance-based plans (cash incentive and performance shares) both contain provisions under which awards may be recouped or forfeited if the financial results for a period affecting the calculation of an award are later restated.
- (g) The Compensation Committee retains an independent compensation consultant.

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.

Compensation Committee of the Board of Directors

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

Summary Compensation Table

The following table summarizes the total compensation for each of our fiscal years ended July 2, 2021, July 3, 2020, June 28, 2019, of our named executive officers for the applicable years, consisting of our CEO, CFO and Senior Vice President Americas Sales and Services. With respect to fiscal year 2021, due to changes in the executive team, we only had one additional executive officer in addition to our CEO and CFO, therefore there are only three named executive officers for the most recent fiscal year.

Name/Principal Position	Fiscal Year	Salary ⁽²⁾	Stock Awards ⁽³⁾	Option Awards ⁽⁴⁾	Non-Equity Incentive Plan Compensation ⁽⁵⁾	All Other Compensation ⁽⁶⁾	Total
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Peter A. Smith, Director, President and Chief Executive Officer	2021	444,231	1,202,160	94,715	458,325	16,761	2,216,192
	2020	187,692	664,485	—	138,113	3,996	994,286
Eric Chang, Senior Vice President and Chief Financial Officer	2021	299,616	101,464	50,742	268,250	10,862	730,934
	2020	270,231	88,752	87,748	137,736	5,929	590,396
	2019	260,000	65,344	65,591	—	8,148	399,083
Bryan Tucker, Senior Vice President Americas Sales and Services ⁽¹⁾	2021	315,000	140,360	70,191	229,163	19,328	774,042

- (1) Mr. Tucker was appointed as an executive officer in fiscal year 2021.
- (2) The annual base salary for Mr. Smith was increased from \$400,000 to \$500,000 on January 4, 2021 and was increased to \$650,000 on July 1, 2021 due to performance.
The annual base salary for Mr. Chang was \$300,000.
The annual base salary for Mr. Tucker was \$315,000.
- (3) The “Stock Awards” column shows the full grant date fair value of the market-based shares, performance shares, and restricted stock granted in fiscal 2021, 2020 and 2019.
The grant date fair value of the PSUs, MSUs, and RSUs 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 MSUs was estimated using a Monte-Carlo simulation model. The grant date fair value for PSUs and RSUs was based on the closing market price of our common stock on the respective grant dates. The assumptions used for determining values are set forth in Notes 1 and 9 to our audited consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for fiscal year 2021. 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.
- (4) The “Option Awards” column shows the aggregate grant date fair value of the stock options granted in fiscal 2021, determined using Black-Scholes values. The assumptions used for determining values are set forth in Notes 1 and 9 to our audited consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for fiscal year 2021.
- (5) The “Non-Equity Incentive Plan Compensation” column shows the cash bonus earned under the fiscal year 2021 and fiscal year 2020 annual incentive plan. No cash bonus was earned for fiscal 2019.
- (6) 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)	Vacation payout ^(c)	Total All Other Compensation
		(\$)	(\$)	(\$)	(\$)
Peter A. Smith	2021	3,463	5,606	7,692	16,761
	2020	1,419	2,577	—	3,996
Eric Chang	2021	776	4,317	5,769	10,862
	2020	654	5,275	—	5,929
	2019	612	7,536	—	8,148
Bryan Tucker	2021	1,302	11,968	6,058	19,328

(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.

(c) Represents vacation payout for unused vacation days.

Fiscal Year 2021 Grants of Plan-Based Awards

The following table lists our grants and incentives made to the named executive officers during our fiscal year ended July 2, 2021, of plan-based awards, both equity and non-equity based under our AIP and 2018 Plan. 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 Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payments Under Equity Incentive Plan Awards ⁽²⁾			All Other Stock Awards: Number of Shares of Stock or Units ⁽³⁾	All Other Option Awards: Number of Securities Underlying Options ⁽⁴⁾	Grant Date, Fair Value of Stock and Option Awards ⁽⁵⁾
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	(#)	(#)	(\$)
Peter A. Smith	Options	9/1/2020	—	—	—	—	—	—	—	26,386	94,715
	RSU	9/1/2020	—	—	—	—	—	—	8,610	—	94,710
	PSU	9/1/2020	—	—	—	4,305	8,610	17,220	—	—	94,710
	MSU	1/20/2021	—	—	—	—	72,000	—	—	—	1,012,740
	AIP	—	171,675	315,000	458,325	—	—	—	—	—	—
Eric Chang	Options	9/1/2020	—	—	—	—	—	—	—	14,136	50,742
	RSU	9/1/2020	—	—	—	—	—	—	4,612	—	50,732
	PSU	9/1/2020	—	—	—	2,306	4,612	9,224	—	—	50,732
	AIP	—	81,750	150,000	268,250	—	—	—	—	—	—
Bryan Tucker	Options	9/1/2020	—	—	—	—	—	—	—	19,554	70,191
	RSU	9/1/2020	—	—	—	—	—	—	6,380	—	70,180
	PSU	9/1/2020	—	—	—	3,190	6,380	12,760	—	—	70,180
	AIP	—	85,838	157,500	229,163	—	—	—	—	—	—

(1) The amounts shown under Estimated Possible Payouts Under Short-Term Non-Equity Incentive Plan Awards reflect possible payouts under our fiscal 2021 AIP. For Mr. Smith these columns represent the pro-rata portion of his AIP award following his salary increases in January 2021.

(2) PSUs vest 100% on the third anniversary of the grant date based on the achievement of performance criteria. The market-based conditions applicable to the MSUs granted to Mr. Smith in January 2021 were achieved in fiscal 2021 and will vest on December 31, 2022 and December 31, 2023, subject to the named executive officer's continued employment through each such vesting date.

(3) These amounts represent the number of RSUs granted to the named executive officers during fiscal year 2021, which vest in full on the third anniversary of the date of grant, subject to the named executive officer's continued employment through such vesting date.

(4) These amounts represent the number of stock options granted to the named executive officers during fiscal year 2021, which vest annually over three years from the date of grant, subject to the named executive officer's continued employment through such vesting date.

- (5) The “Fair Value of Stock and Option Awards” column shows the full grant date fair value of the stock options granted in fiscal year 2021. 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 9 to our audited consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal 2021. 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.

Fiscal 2021 Outstanding Equity Awards

The following table provides information regarding outstanding unexercised stock options and unvested stock awards held by each of our named executive officers as of July 2, 2021. Each grant of options or unvested stock awards is shown separately for each named executive officer. The vesting schedule for each award of options and unvested stock awards 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 and 2018 Plan.

Name	Grant Date	Option Awards				Stock Awards				
		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 ⁽⁷⁾ (\$)	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 ⁽⁸⁾ (\$)	
Peter A. Smith	1/20/2021	—	—	—	—	30,000 (1)	956,400	—	—	
	1/20/2021	—	—	—	—	42,000 (1)	1,338,960	—	—	
	9/1/2020	—	26,386 (2)	11.00	9/1/2027	8,610 (4)	274,487	8,610 (7)	274,487	
Eric Chang	9/1/2020	—	14,136 (2)	11.00	9/1/2027	4,612 (4)	147,031	4,612 (7)	147,031	
	5/19/2020	4,706	9,410 (2)	6.42	5/19/2027	—	—	—	—	
	9/20/2019	—	14,982 (3)	7.23	9/20/2026	6,142 (4)	195,807	6,142 (5)	195,807	
	9/7/2018	9,788	4,894 (2)	8.90	9/7/2025	—	—	3,670 (6)	117,000	
Bryan Tucker	9/1/2020	—	19,554 (2)	11.00	9/1/2027	6,380 (4)	203,394	6,380 (7)	203,394	
	9/20/2019	—	16,710 (3)	7.23	9/20/2026	—	—	—	—	
	9/20/2019	—	—	—	—	6,852 (4)	218,442	—	—	
	9/20/2019	—	—	—	—	—	—	6,852 (5)	218,442	
	9/7/2018	11,510	5,754 (2)	8.90	9/7/2025	—	—	—	—	
	9/7/2018	—	—	—	—	—	—	4,315 (6)	137,562	
	2/2/2015	808	—	7.80	2/2/2022	—	—	—	—	

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- (1) Market-based conditions applicable to the MSUs granted to Mr. Smith in January 2021 were achieved in fiscal 2021 and will vest in December 31, 2022 and December 31, 2023, subject to the named executive officer’s continued employment through such vesting date. In accordance with SEC rules, because such market-based conditions have been achieved and the MSUs only remain subject to time-based vesting conditions, the number of MSUs earned are reported in the “Number of Shares or Units of Stock that have not Vested” column.
 - (2) Stock options that vest annually over three years from date of grant.
 - (3) Stock options that cliff vest three years from date of grant.
 - (4) RSUs that cliff vest three years from date of grant.
 - (5) PSUs eligible to vest based on the Company’s non-GAAP net income. From 50% to 150% of the target PSUs will vest in September 2022 following the end of the fiscal year July 1, 2022, that the Compensation Committee certifies achievement of the performance measure. Vesting of these PSUs is dependent on continuous employment with us through the vesting date. The number of PSUs reported in the table above reflects 100% of the target number of granted PSUs based on the Company’s annual non-GAAP net income for the performance periods.
 - (6) PSUs eligible to vest based on the Company’s non-GAAP net income. From 50% to 100% of the target PSUs will vest after the Compensation Committee certifies the achievement of the performance measure.
 - (7) PSUs eligible to vest based on the Company’s annual average ROIC from fiscal 2021 to fiscal 2023 and revenue growth for fiscal 2023. From 50% to 200% of the target PSUs will vest after the Compensation Committee certifies the achievement of the performance measure. Vesting of these PSUs is dependent on continuous employment with us through the vesting date in September 2023.
 - (8) Market value is based on the \$31.88 closing price of a share of our common stock on July 2, 2021, as reported on the NASDAQ Global Select Market.

Fiscal 2021 Option Exercised and Stock Vested Table

The following table provides information for each of our named executive officers regarding the number of shares of our common stock acquired upon exercising vested options or release of stock awards during fiscal year 2021.

Name	Options Awards		Stock Awards	
	Number of shares acquired on exercise(#)	Value realized on Exercise (\$)	Number of Shares Acquired on Vesting (#) ⁽¹⁾	Value Received on Vesting (\$) ⁽²⁾
Peter A. Smith	—	—	93,000	\$ 1,260,735
Eric Chang	—	—	—	—
Bryan Tucker	8,000	\$ 156,160	—	—

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- (1) Vested number of shares of PSUs.
 - (2) Amount shown is the aggregate market value of the vested shares of PSUs based on the closing price of our stock on the vesting date.

Equity Compensation Plan Summary

The following table provides information as of July 2, 2021, 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⁾	998,362 ⁽²⁾	\$ 9.55 ⁽³⁾	897,245 ⁽⁴⁾
Equity Compensation plans not approved by security holders	—	\$ —	—
Total	998,362	\$ 9.55	897,245

- (1) Consists of the 2007 Plan, the 2018 Plan and our employee stock purchase plan.
- (2) The number includes 540,790 shares to be issued upon exercise of options, 189,244 shares to be issued upon vesting of RSUs, 165,000 shares to be issued upon vesting of MSUs (based on achievement of target market-based metrics) and 103,328 shares to be issued upon vesting of PSUs (based on achievement of target performance metrics).
- (3) Excludes weighted average fair value of RSUs, MSUs and PSUs.
- (4) Includes 112,452 shares reserved for future issuances under the employee stock purchase plan.

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 (and Change of Control event, where applicable) on July 2, 2021 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 12 or 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 12 or 18 months after a Change of Control (depending on individual employment agreements). 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
Peter Smith	Termination without cause or for good reason, or due to disability	\$ 650,000	\$ 458,325	\$ 2,386,856	\$ 33,060	\$ 30,000	\$ 3,558,241
	Within 12 months after Change of Control	\$ 1,300,000	\$ 925,000	\$ 2,937,945	\$ 49,500	\$ 30,000	\$ 5,242,445
Eric Chang	Termination without cause or for good reason, or due to disability	\$ 300,000	\$ 268,250	\$ 1,035,971	\$ —	\$ 30,000	\$ 1,634,221
	Within 18 months after Change of Control	\$ 300,000	\$ 150,000	\$ 1,443,594	\$ —	\$ 30,000	\$ 1,923,594
Bryan Tucker	Termination without cause or for good reason, or due to disability	\$ 315,000	\$ 229,163	\$ 908,517	\$ 26,604	\$ 30,000	\$ 1,509,284
	Within 18 months after Change of Control	\$ 630,000	\$ 157,500	\$ 1,449,032	\$ 26,604	\$ 30,000	\$ 2,293,136

- (1) The base salary component represents the total gross monthly payments to each named executive officer at the base salary in effect as of the last day of fiscal 2021.
- (2) The cash incentive component represents the cash bonus due under the fiscal year 2021 AIP.
- (3) Reflects acceleration of outstanding equity awards, including pro-rata vesting of the equity awards granted during fiscal year 2021, 2020 and 2019 and outstanding as of July 2, 2021.
- (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% 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.

The employment agreements with our named executive officers define a “Cause” as follows:

- theft, dishonesty, misconduct or falsification of any employment or Company records; or
- improper disclosure of the Company’s confidential or proprietary information; or
- any action which has material detrimental effect on the Company’s reputation or business; or
- refusal or inability to perform any assigned duties (other than as a result of disability) after written notice and a 30-day opportunity to cure such refusal or inability; or
- material breach of an employment agreement or of the proprietary information, confidentiality, assignment of inventions agreement, after written notice and a 30-day opportunity to cure such breach; or
- violation of the Company’s Code of Conduct; or
- conviction (including any plea of guilty or no contest) for any criminal act that impairs the ability to perform duties under an employment agreement.

The employment agreements with our named executive officers define a “Good Reason” as follows:

- a reduction in base salary below the base salary in effect at the start date of the employment agreement, other than a reduction that is similarly applicable to all members of the Company’s executive staff; or
- a material diminution in your authority, duties and responsibilities.

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 or 24 months following termination depending on individual employment agreements;
- 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 or 18 months (depending on individual employment agreements); 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 exercise any vested stock options until the earlier of: (i) 12 months; or (ii) the date on which the applicable option(s) expire; and
- outplacement assistance up to \$30,000.

In addition, these agreements provide that if there is a Change of Control, and employment is terminated by us without cause or by the employee for good reason within 12 or 18 months (depending on the respective named executive officer employment agreement) after the Change of Control and they sign a general release of known and unknown claims in a form satisfactory to us (i) they will receive a payment equal to the greater of (a) the average of the annual actual 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 (ii) accelerated vesting of all unvested stock option(s), RSUs, PSUs and MSUs (assuming

performance criteria previously met or pro rata vesting at target for the period of time worked during the performance period based on individual guidelines under the 2018 Plan.

CEO Pay Ratio

Pursuant to Item 402(u) of Regulation S-K, the Company is required to provide the following information with respect to the year ended July 2, 2021:

- The median of the annual total compensation of all employees of the Company (other than Mr. Smith's the Company's Chief Executive Officer) was \$ 69,362.
- The annualized total compensation of Mr. Smith, the Company's Chief Executive Officer, was \$2,220,038
- Based on this information, the ratio of the annual total compensation of the Company's Chief Executive Officer to the median of the annual total compensation of all employees was 32.01 to 1.

To identify the median paid employee and determine such employee's annual total compensation in the last fiscal year, the Company assessed its employee population as of July 2, 2021 and determined employee compensation using the 12-month period ending July 2, 2021. On this date, the Company's employee population consisted of 657 individuals. The Company does not feel that there have been any material changes to the employee population or compensation arrangements to necessitate needing to recalculate this number.

The Company determined its median employee by: (i) calculating total target cash compensation as the sum of salary and target variable compensation, including target sales bonus, for each of the Company's employees, (ii) ranking the total target cash compensation of all employees except for the Chief Executive Officer from lowest to highest, and (iii) picking the employee who was in the middle of the list.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

At the Annual Meeting, directors are being nominated for election to serve until the 2022 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	65
Bryan Ingram	Director Nominee	57
Michele Klein	Director	72
Somesh Singh	Director Nominee	65
Peter Smith	Director, President and Chief Executive Officer	55
Dr. James C. Stoffel	Director	75

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 July 1, 2022, 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 2022.

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 which we request annually during our Annual Meeting of Stockholders. 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.

As this vote is advisory, it will not be binding on our Board or our Compensation Committee, and neither our Board nor our Compensation Committee will be required to take any action as a result of the outcome of the vote. However, our Compensation Committee will carefully consider the outcome of this vote when considering future executive compensation policies and decisions.

Based on the voting results at the Company’s 2018 Annual Meeting of Stockholders with respect to the frequency (the “Frequency Vote”) of future stockholder advisory votes to approve the compensation of the Company’s named executive officers, the Company includes an advisory, non-binding vote to approve the compensation of its named executive officers in its proxy materials on an annual basis. The next required Frequency Vote is scheduled for the Company’s 2024 Annual Meeting of Shareholders.

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

Approval of the Amended and Restated 2018 Incentive Plan of Aviat Networks, Inc.

Background and Purpose of the Proposal

The 2018 Plan was adopted by the Board and approved by the stockholders on March 20, 2018. At this year’s Annual Meeting, stockholders will be asked to approve the increase in the number of shares available for issuance under the 2018 Plan (the “Amended and Restated Plan”) by 1,250,000 shares. The Amended and Restated Plan is attached hereto as Annex 1. If the Amended and Restated Plan becomes effective, the Company will register the additional shares on a Registration Statement on Form S-8 as soon as practicable following the effective date.

The Board believes that stock ownership promotes the alignment of interests of our employees and directors, with those of our stockholders. A total of only 784,793 shares remain available for issuance under the 2018 Plan as of July 2, 2021. The proposed adoption of the Amended and Restated Plan will allow us to continue to utilize equity incentive compensation as a means of aligning the interests of participants with those of our stockholders, will provide participants with further incentives for outstanding performance and will assist in the retention of key talent. As a result, we believe that the adoption of the

Amended and Restated Plan is important to our ability to recruit and retain executive officers, directors and key employees with outstanding ability and experience, and to our long-term growth and financial success.

The use of stock-based awards under the 2018 Plan continues to be a key element of the Company's compensation program. The purpose of the Amended and Restated Plan is to increase the number of shares of common stock that the Company may issue under the Amended and Restated Plan by 1,250,000 shares. As of July 2, 2021, there were 457,572 shares associated with outstanding RSUs, MSUs and PSUs, and there were 540,790 options, vested and unvested, outstanding and unexercised. No other equity awards were outstanding under any of the Company's equity compensation plans, including the 2018 Plan as of such date. As of July 2, 2021, there remain only 784,793 shares available for grant.

The Amended and Restated Plan is a broad-based plan under which the Company grants awards to its current and prospective employees, including officers, directors, and consultants. The Company continues to believe that its long-term interests are best advanced by aligning the interests of its nonemployee directors and key employees with the interests of its stockholders. Therefore, to attract, retain and motivate nonemployee directors, officers and key employees of exceptional abilities and, in recognition of the significant contributions to the long-term performance and growth of the Company and its subsidiaries made by these individuals, the Board recommends adoption of the Amended and Restated Plan. Approval of the Amended and Restated Plan will permit the Company to continue to use stock-based compensation to align stockholder and employee interests and to motivate employees and others providing services to the Company or any subsidiary. While the Board is cognizant of the potential dilutive effect of compensatory stock awards, it also recognizes the significant motivational and performance benefits that are achieved from making such awards. The Board determined that an increase of 1,250,000 shares was appropriate based on a number of factors, including: the current number of shares available under the 2018 Plan, the number of shares that remain subject to outstanding options and restricted stock units, the potential dilutive effects on the Company's stockholders, the Company's historical annual burn rates, and the anticipated future needs for equity to be able to attract and retain key employees and members of our leadership team.

Consequence of Failing to Approve the Proposal

If this Proposal No. 4 and the Amended and Restated Plan is not approved by the Company's stockholders, the 2018 Plan will continue to be effective, and there will be no impact on the rights of existing award holders under the 2018 Plan. However, if this Proposal No. 4 and the Amended and Restated Plan is not approved by the Company's stockholders, the Company would be required to reevaluate its current use of equity-based awards pursuant to the 2018 Plan to eligible employees and directors in the future and our compensation programs in general. If this Proposal No. 4 is not approved, we do not expect to be able to issue any meaningful equity-based compensation awards pursuant to the 2018 Plan to eligible employees and directors in the future, requiring the Company to reevaluate our compensation programs in general with a much higher percentage of compensation paid in cash.

Why We Believe You Should Vote for Proposal 4

In evaluating our request to approve Proposal 4 and the Amended and Restated Plan, we ask that you consider the following:

- **Incentive to Attract and Retain Talent.** We believe that our future success depends in part on our ability to attract, hire, motivate and retain high quality employees, including executive officers, and directors and that the ability to provide equity awards under the Amended and Restated Plan is critical to achieving this success. We would be at a severe disadvantage if we could not use equity-based awards covering a meaningful number of shares of our common stock to recruit and secure or retain key talent in the current competitive market for highly skilled and qualified employees.
- **Alignment of Interests.** We believe that our future success depends on our ability to align the interests of our employees, including our executive officers, and directors with those of our stockholders, and that equity compensation is a key means to foster this alignment.
- **Significant Focus on Performance-Based Equity Awards.** Approximately two-thirds of the annual equity awards granted to our executive officers, including our named executive officers, in fiscal 2021 are either options to purchase shares of our common stock or full-value awards subject to performance-based vesting requirements, with the shares subject to such performance-based awards to be earned the vesting of the based on the achievement of

return on invested capital and revenue growth targets over a three-year performance period. The foregoing percentages are based on the grant date fair value of the awards granted in fiscal 2021.

- **Limiting Cash Compensation Expense.** Equity compensation limits the cash cost of our compensation programs and can preserve cash for other uses in growing our business or returning value to our stockholders. If Proposal 4 and the Amended and Restated Plan are not approved, we may need to replace the lost compensation value with larger cash awards, which would increase our cash compensation expense. That cash might be better utilized if reinvested in our business or returned to our stockholders.
- **Responsible Share Request Size.** We believe that we are asking for enough shares to be able to continue to grant equity awards under the Amended and Restated Plan for approximately three years (as discussed in more detail below). We want our stockholders to have the ability to regularly validate their support of our approach to equity awards
- **Responsible Plan Features.** The Amended and Restated Plan includes several responsible plan features as described in more detail below.

Summary of the Amended and Restated Plan

The following is a summary of the Amended and Restated Plan and does not purport to be a complete description of all provisions of the Amended and Restated Plan. The Amended and Restated Plan should be read in conjunction with, and is qualified in its entirety by reference to, the complete text of the proposed Amended and Restated Plan, which is attached to this Proxy Statement as Annex 1. The Amended and Restated Plan gives the Compensation Committee the ability to award stock options, stock appreciation rights (“SARs”), performance awards, restricted stock, RSUs, stock awards, other stock-based awards, cash awards, and substitute awards.

Administration. The Amended and Restated Plan is administered by the Compensation Committee of Board (the “Committee”), or such other committee of two or more directors designated by the Board except to the extent the Board elects to administer the Amended and Restated Plan (in which case references to the “Committee” are references to the Board). The Committee has broad discretion to administer the Amended and Restated Plan, including the power to determine the eligible individuals to whom awards will be granted, the number and type of awards to be granted and the terms and conditions of awards. The Committee may also accelerate the vesting or exercise of any award and make all other determinations and take all other actions necessary or advisable for the administration of the Amended and Restated Plan.

Notwithstanding anything within the Amended and Restated Plan to the contrary, to comply with applicable laws in countries other than the United States in which the Company or our affiliates operates or has employees, directors or other service providers, to ensure that we comply with any applicable requirements of foreign securities exchanges, to achieve specific tax treatment for an award in any country, or to facilitate the administration of the Amended and Restated Plan, the Committee, in its sole discretion, has the power and authority to determine who is eligible to participate in the Amended and Restated Plan, modify the terms and conditions of awards, establish sub-plans with applicable foreign jurisdiction provisions, or take other actions deemed advisable to comply with foreign laws or securities exchange rules. The description of the Amended and Restated Plan set forth within this summary addresses the terms and conditions of the Amended and Restated Plan largely with respect to United States-based award recipients, therefore an award granted to an employee that is subject to foreign laws or regulations may differ from the descriptions set forth below or contained within the Amended and Restated Plan document.

Eligibility. Any individual who is an officer or employee of the Company or any of our affiliates, and any other person who provides services to us or our affiliates, including members of the Board, are eligible to receive awards under the Amended and Restated Plan at the discretion of the Committee. As of July 2, 2021, we have 657 employees and six members of the Board who will be eligible to participate in the Amended and Restated Plan. Consultants are eligible to receive awards pursuant to the Amended and Restated Plan, but as the Committee has sole discretion to determine whether such consultants could receive an award, the number of consultants that could receive Amended and Restated Plan awards is not determinable at this time.

Shares Subject to the Amended and Restated Plan. Subject to stockholder approval of the Amended and Restated Plan and the adjustments described below, the total aggregate number of shares of stock which may be granted, issued or delivered

pursuant to Awards under the Amended and Restated 2018 Plan (including pursuant to the exercise of Incentive Options) shall be the sum of: (i) 1,250,000 Shares, plus (ii) the number of shares of common stock of the Company which remain available for grants of options or other awards under 2018 Plan prior to its amendment and restatement and the number of shares of common stock of the Company which remain available for grants of options or other awards under the Company's 2007 Incentive Plan, as amended and restated (, 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 Plans 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 Plans have terminated or remain in effect. As of July 2, 2021 (the last trading day of fiscal year 2021), the price per share of the Company's common stock was \$31.88 per share. The shares issued pursuant to awards under the Amended and Restated Plan may be authorized and unissued shares or shares that the Company reacquired, including shares purchased in the open market.

To the extent that a share of common stock is subject to an outstanding award other than a stock option or SAR (a "Full-Value Award"), that award will reduce the aggregate share limit by 1.76 shares of common stock. To the extent that a share of common stock is subject to an outstanding award other than a Full-Value Award, the award reduces the aggregate share limit by one share of common stock. Shares of common stock subject to an award that expire, are cancelled, exchanged, settled in cash or otherwise terminated without actual delivery of shares will again be available for awards pursuant to the 2018 Plan. Notwithstanding the foregoing, (i) the number of shares tendered or withheld in payment of any exercise or purchase price of an award or taxes relating to an award, (ii) shares that were subject to a stock option or a SAR but were not issued or delivered as a result of the net settlement or net exercise of such stock option or SAR and (iii) shares repurchased on the open market with the proceeds of a stock option's exercise price, will not, in each case, be available again for awards pursuant to the 2018 Plan. Awards that may only be settled in cash will not count against the share limit for the 2018 Plan.

Limitations on Awards. In any one calendar year, the aggregate grant to any plan participant, including awards granted pursuant to the Amended and Restated Plan shall not exceed 150,000 shares. To calculate the 150,000 annual maximum, awards granted pursuant to the Amended and Restated Plan shall be valued on the grant date pursuant to FASB ASC Topic 718, and all other cash compensation may include, but is not limited to, quarterly retainer fees, committee fees, meeting fees, or lead independent director fees.

Awards under the 2018 Plan

Stock Options. The Committee may grant incentive stock options and options that do not qualify as incentive stock options, except that incentive stock options may only be granted to persons who are our employees or employees of one of our subsidiaries, in accordance with Section 422 of the Code. The exercise price of a stock option cannot be less than 100% of the fair market value of a share of our common stock on the date on which the option is granted and the option must not be exercisable for longer than seven years following the date of grant. In the case of an incentive stock option granted to an individual who owns (or is deemed to own) at least 10% of the total combined voting power of all classes of our capital stock, the exercise price of the stock option must be at least 110% of the fair market value of a share of our common stock on the date of grant and the option must not be exercisable more than five years from the date of grant. Any share of common stock that is available for grant pursuant to the Amended and Restated Plan shall be available for the issuance of shares pursuant to any award type under the plan, including the exercise of incentive stock options.

Stock Appreciation Rights. A SAR is the right to receive an amount equal to the excess of the fair market value of one share of our common stock on the date of exercise over the grant price of the SAR. The grant price of a SAR cannot be less than 100% of the fair market value of a share of our common stock on the date on which the SAR is granted. The term of a SAR may not exceed seven years. SARs may be granted in connection with, or independent of, a stock option. SARs may be paid in cash, common stock or a combination of cash and common stock, as determined by the Committee.

Restricted Stock. Restricted stock is a grant of shares of common stock subject to the restrictions on transferability and risk of forfeiture imposed by the Committee. If dividends are paid with respect to common stock underlying an award of unvested restricted stock, the dividend will either be reinvested in additional shares of restricted stock containing the same terms and conditions as the original award, or will be subject to the same vesting and forfeiture provisions as the underlying award and such dividend shall not become payable unless the underlying award is settled.

Restricted Stock Units. A restricted stock unit is a right to receive cash, common stock or a combination of cash and common stock at the end of a specified period equal to the fair market value of one share of our common stock on the date of vesting. Restricted stock units may be subject to the restrictions, including a risk of forfeiture, imposed by the Committee.

Other Stock-Based Awards. Subject to limitations under applicable law and the terms of the Amended and Restated Plan, the Committee may grant other awards related to our common stock. Such awards may include, without limitation, awards that are convertible or exchangeable debt securities, other rights convertible or exchangeable into our common stock, purchase rights for common stock, awards with value and payment contingent upon our performance or any other factors designated by the Committee, and awards valued by reference to the book value of our common stock or the value of securities of, or the performance of, our affiliates.

Performance Awards. Performance awards represent awards with respect to which a participant's right to receive cash, shares of our common stock, or a combination of both, is contingent upon the attainment of one or more specified performance measures during a specified period. The Committee will determine the applicable performance period, the performance goals and such other conditions that apply to each performance award.

Recapitalization. In the event of any change in our capital structure or business or other corporate transaction or event that would be considered an equity restructuring, the Committee shall or may (as required by applicable accounting rules) equitably adjust the (i) aggregate number or kind of shares that may be delivered under the Amended and Restated Plan, (ii) the maximum number of shares that may be granted to a covered employee each year, (iii) the number or kind of shares or amount of cash subject to an award, (iv) the terms and conditions of awards, including the purchase price or exercise price of awards and performance goals, and (v) the applicable share-based limitations with respect to awards provided in the Amended and Restated Plan, in each case to equitably reflect such event.

Change in Control. Except to the extent otherwise provided in any applicable award agreement, in the event of a change in control or other changes to us or our common stock, the Committee may, either in advance of a change of control or at the time or when the Committee may deem appropriate, (i) accelerate the time of vesting and exercisability of an award, (ii) if the performance cycle has been completed for performance awards, payment shall be made not later than 90 days following the effective date of termination, or if the performance cycle has not been completed for performance awards, target level of performance shall be deemed to have been achieved and payment shall be made not later than 90 days following the effective date of termination, or (iii) make any other adjustments to awards (including no adjustments) that the Committee deems appropriate to reflect the applicable transaction or event.

Amendment and Termination. The Amended and Restated Plan automatically expires on the seventh anniversary of its original effective date, or February 12, 2025. The Committee may amend or terminate the Amended and Restated Plan at any time, subject to stockholder approval if required by applicable law, rule or regulation, including the rules of the stock exchange on which our shares of common stock are listed. The Committee may amend the terms of any outstanding award granted under Amended and Restated Plan at any time so long as the amendment would not materially and adversely affect the rights of a participant under a previously granted award without the participant's consent.

Clawback. The Amended and Restated Plan and all awards granted thereunder are subject to any clawback or recoupment policy adopted by the Company.

Certain U.S. Federal Income Tax Consequences

The following discussion is for general information only and is intended to briefly summarize the United States federal income tax consequences to participants arising from participation in the Amended and Restated Plan. This description is based on current law, which is subject to change (possibly retroactively). The tax treatment of participants in the Amended and Restated Plan may vary depending on their particular situations and may, therefore, be subject to special rules not discussed below. No attempt has been made to discuss any potential foreign, state, or local tax consequences. In addition, nonqualified stock options and SARs with an exercise price less than the fair market value of shares of common stock on the date of grant, SARs, restricted stock units, and certain other awards that may be granted pursuant to the Amended and Restated Plan, could be subject to additional taxes unless they are designed to comply with certain restrictions set forth in Section 409A of the Code and guidance promulgated thereunder. Potential tax consequences to the Company or participants associated with the Amended and Restated Plan and its awards granted to eligible individuals subject to the laws of jurisdictions outside of the United States are not addressed herein.

Tax Consequences to Participants

Options and SARs. Participants will not realize taxable income upon the grant of an option or a SAR. Upon the exercise of a nonqualified stock option or a SAR, a participant will recognize ordinary compensation income (subject to withholding if an employee) in an amount equal to the excess of (i) the amount of cash and the fair market value of the shares of common stock received, over (ii) the exercise price of the award. A participant will generally have a tax basis in any shares of common stock received pursuant to the exercise of a nonqualified stock option or SAR that equals the fair market value of such shares of common stock on the date of exercise. Subject to the discussion under “Tax Consequences to the Company” below, the Company will be entitled to a deduction for federal income tax purposes that corresponds as to timing and amount with the compensation income recognized by a participant under the foregoing rules. When a participant sells the shares of common stock acquired as a result of the exercise of a nonqualified stock option or SAR, any appreciation (or depreciation) in the value of the shares of common stock after the exercise date is treated as long- or short-term capital gain (or loss) for federal income tax purposes, depending on the holding period. The shares of common stock must be held for more than 12 months to qualify for long-term capital gain treatment.

Participants eligible to receive an option intended to qualify as an incentive option (i.e., under Section 422 of the Code) will not recognize taxable income on the grant of an incentive option. Upon the exercise of an incentive option, a participant will not recognize taxable income, although the excess of the fair market value of the shares of common stock received upon exercise of the incentive option (“ISO Shares”) over the exercise price will increase the alternative minimum taxable income of the participant, which may cause such participant to incur alternative minimum tax. The payment of any alternative minimum tax attributable to the exercise of an incentive option would be allowed as a credit against the participant’s regular tax liability in a later year to the extent the participant’s regular tax liability is in excess of the alternative minimum tax for that year.

Upon the disposition of ISO Shares that have been held for the required holding period (generally, at least two years from the date of grant and one year from the date of exercise of the incentive option), a participant will generally recognize capital gain (or loss) equal to the excess (or shortfall) of the amount received in the disposition over the exercise price paid by the participant for the ISO Shares. However, if a participant disposes of ISO Shares that have not been held for the requisite holding period (a “Disqualifying Disposition”), the participant will recognize ordinary compensation income in the year of the Disqualifying Disposition in an amount equal to the amount by which the fair market value of the ISO Shares at the time of exercise of the incentive option (or, if less, the amount realized in the case of an arm’s length disposition to an unrelated party) exceeds the exercise price paid by the participant for such ISO Shares. A participant would also recognize capital gain to the extent the amount realized in the Disqualifying Disposition exceeds the fair market value of the ISO Shares on the exercise date. If the exercise price paid for the ISO Shares exceeds the amount realized (in the case of an arm’s-length disposition to an unrelated party), such excess would ordinarily constitute a capital loss.

The Company will generally not be entitled to any federal income tax deduction upon the grant or exercise of an incentive option, unless a participant makes a Disqualifying Disposition of the ISO Shares. If a participant makes a Disqualifying Disposition, the Company will then, subject to the discussion below under “Tax Consequences to the Company,” be entitled to a tax deduction that corresponds as to timing and amount with the compensation income recognized by a participant under the rules described in the preceding paragraph.

Under current rulings, if a participant transfers previously held shares of common stock (other than ISO Shares that have not been held for the requisite holding period) in satisfaction of part or all of the exercise price of an option, whether a nonqualified stock option or an incentive option, no additional gain will be recognized on the transfer of such previously held shares of common stock in satisfaction of the nonqualified stock option or incentive option exercise price (although a participant would still recognize ordinary compensation income upon exercise of a nonqualified stock option in the manner described above). Moreover, that number of shares of common stock received upon exercise which equals the number of previously held shares of common stock surrendered in satisfaction of the nonqualified stock option or incentive option exercise price will have a tax basis that equals, and a capital gains holding period that includes, the tax basis and capital gains holding period of the previously held shares of common stock surrendered in satisfaction of the nonqualified stock option or incentive option exercise price. Any additional shares of common stock received upon exercise will have a tax basis that equals the amount of cash (if any) paid by the participant, plus the amount of compensation income recognized by the participant under the rules described above.

The Amended and Restated Plan generally prohibits the transfer of awards other than by will or according to the laws of descent and distribution or pursuant to a qualified domestic relations order, but the Amended and Restated Plan allows the Committee to permit the transfer of awards (other than incentive options), in its discretion. For income and gift tax purposes, certain transfers of nonqualified stock options should generally be treated as completed gifts, subject to gift taxation.

The Internal Revenue Service has not provided formal guidance on the income tax consequences of a transfer of nonqualified stock options (other than in the context of divorce) or SARs. However, the Internal Revenue Service has informally indicated that after a transfer of options (other than in the context of divorce pursuant to a domestic relations order), the transferor will recognize income, which will be subject to withholding, and FICA/FUTA taxes will be collectible at the time the transferee exercises the options. If a nonqualified stock option is transferred pursuant to a domestic relations order, the transferee will recognize ordinary income upon exercise by the transferee, which will be subject to withholding, and FICA/FUTA taxes (attributable to and reported with respect to the transferor) will be collectible from the transferee at such time.

In addition, if a participant transfers a vested nonqualified stock option to another person and retains no interest in or power over it, the transfer is treated as a completed gift. The amount of the transferor's gift (or generation-skipping transfer, if the gift is to a grandchild or later generation) equals the value of the nonqualified stock option at the time of the gift. The value of the nonqualified stock option may be affected by several factors, including the difference between the exercise price and the fair market value of the shares of common stock, the potential for future appreciation or depreciation of the shares of common stock, the time period of the nonqualified stock option and the illiquidity of the nonqualified stock option. The transferor will be subject to a federal gift tax, which will be limited by (i) the annual exclusion of \$15,000 per donee (for 2021, subject to adjustment in future years), (ii) the transferor's lifetime unified credit, or (iii) the marital or charitable deductions. The gifted nonqualified stock option will not be included in the participant's gross estate for purposes of the federal estate tax or the generation-skipping transfer tax.

This favorable tax treatment for vested nonqualified stock options has not been extended to unvested nonqualified stock options. Whether such consequences apply to unvested nonqualified stock options or to SARs is uncertain and the gift tax implications of such a transfer is a risk the transferor will bear upon such a disposition.

Other Awards: Restricted Stock, Stock Awards, Restricted Stock Units, Other Stock-Based Awards and Performance Awards. A participant will recognize ordinary compensation income upon receipt of cash pursuant to an incentive award or performance award or, if earlier, at the time the cash is otherwise made available for the participant to draw upon. Individuals will not have taxable income at the time of grant of a restricted stock unit award, but rather, will generally recognize ordinary compensation income at the time he or she receives cash or shares of common stock in settlement of the restricted stock unit award, as applicable, in an amount equal to the cash or the fair market value of the shares of common stock received.

A recipient of a stock award or other equity-based award or the receipt of shares pursuant to an incentive award or performance award generally will be subject to tax at ordinary income tax rates on the fair market value of the shares of common stock when received, reduced by any amount paid by the recipient; however, if the shares of common stock are not transferable and are subject to a substantial risk of forfeiture when received, a participant will recognize ordinary compensation income in an amount equal to the fair market value of the shares of common stock (i) when the shares of common stock first become transferable and are no longer subject to a substantial risk of forfeiture, in cases where a participant does not make a valid election under Section 83(b) of the Code, or (ii) when the award is received, in cases where a participant makes a valid election under Section 83(b) of the Code. If a Section 83(b) election is made and the shares of common stock are subsequently forfeited, the recipient will not be allowed to take a deduction for the value of the forfeited shares of common stock. If a Section 83(b) election has not been made, any dividends received with respect to restricted stock that are subject at that time to a risk of forfeiture or restrictions on transfer generally will be treated as compensation that is taxable as ordinary income to the recipient; otherwise the dividends will be treated as dividends.

A participant who is an employee will be subject to withholding for federal, and generally for state and local, income taxes at the time he recognizes income under the rules described above. The tax basis in the shares of common stock received by a participant will equal the amount recognized by the participant as compensation income under the rules described in the preceding paragraph, and the participant's capital gains holding period in those shares of common stock will commence on the later of the date the shares of common stock are received or the restrictions lapse. Subject to the discussion below under "Tax Consequences to the Company," the Company will be entitled to a deduction for federal income tax purposes that corresponds as to timing and amount with the compensation income recognized by a participant under the foregoing rules.

Tax Consequences to the Company

Reasonable Compensation. In order for the amounts described above to be deductible by the Company (or a subsidiary), such amounts must constitute reasonable compensation for services rendered or to be rendered and must be ordinary and necessary business expenses.

Golden Parachute Payments. The ability of the Company (or the ability of one of its subsidiaries) to obtain a deduction for future payments under the Amended and Restated Plan could also be limited by the golden parachute rules of Section 280G

of the Code, which prevent the deductibility of certain excess parachute payments made in connection with a change in control of an employer-corporation.

Deduction Limitations. The ability of the Company (or the ability of one of its subsidiaries) to obtain a deduction for amounts paid under the Amended and Restated Plan could be limited by Section 162(m) of the Code. Section 162(m) of the Code limits the Company’s ability to deduct compensation, for federal income tax purposes, paid during any year to a “covered employee” (within the meaning of Section 162(m) of the Code) in excess of \$1,000,000. Despite this limitation, the Company may determine that it is in the Company’s best interests to grant awards pursuant to the Amended and Restated Plan that are not tax deductible to the Company in certain situations.

New Plan Benefits

A summary of the material features of the Amended and Restated Plan, including the class of persons eligible to participate therein and the number of persons in such class, is included above under the title “Summary of Amended and Restated Plan.”

Because awards granted under the Amended and Restated Plan are at the discretion of the Committee, it is not possible to determine the benefits or amounts that will be received by or allocated to eligible individuals. Therefore, we have not included a New Plan Benefits Table nor information regarding stock option awards that could be granted pursuant to the Amended and Restated Plan in the future.

The Company made its annual equity awards under the 2018 Plan for fiscal year 2021 to the named executive officers, nonemployee directors, and to its other eligible employees. The grants to the named executive officers are reflected in the “Long-Term Incentive Compensation” table that can be found in the Executive Compensation section of this proxy statement. The fiscal year 2021 grant to the nonemployee directors is reflected in the “Fiscal Year 2021 Compensation of Non-Employee Directors” in the Corporate Governance section of this proxy statement.

Equity Previously Awarded

Our stock-based compensation model, including the historical broad-based participation of our employees and directors, and the portion of equity compensation paid to our senior executives, resulted in a “burn rate,” or share utilization rate, presented in the table below. The following table summarizes the number of awards granted and/or vested the burn rate for each of the last four fiscal years:

<u>(in thousands)</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>Four Year Avg Burn Rate (FY 2018-FY 2021)</u>
(a) Stock options granted	-	313	285	244	210
(b) Restricted stock units granted ⁽¹⁾	84	55	305	211	164
(c) Performance-based restricted stock units vested ⁽¹⁾	-	94	174	175	110
(d) Market-based stock units vested ⁽¹⁾	-	338	-	-	85
(e) Potential increase in diluted shares due to equity awards (a + b + c + d)	84	800	764	630	569
(f) Weighted average common shares outstanding - basic	10,672	10,754	10,782	11,036	10,811
Burn rate (e/f) ⁽²⁾	0.8%	7.4%	7.1%	5.7%	5.3%

(1) RSUs granted and PSUs and MSUs vested reflected a factor of 1.76 adjustment to shares available for issuance.

(2) The burn rate is not adjusted for forfeitures and expirations, which would reduce the burn rate if taken into account.

The Board urges our stockholders to vote “FOR” Proposal No. 4. This Proposal requires the affirmative vote of the holders of a majority of the total number of shares of common stock present in person or by proxy and entitled to vote on the

matter. The Board believes strongly that the approval of the Amended and Restated Plan is essential to the Company's continued success. All duly submitted proxies that are signed, but which do not provide instructions for how to vote, will be voted FOR the approval of the Amended and Restated Plan by the management proxy holders. All members of the Board and our executive officers and other senior employees are eligible for awards under the Amended and Restated Plan and thus have a personal interest in the approval of the Amended and Restated Plan.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" APPROVAL OF THE AMENDED AND RESTATED 2018 INCENTIVE PLAN OF AVIAT NETWORKS, INC.

OTHER MATTERS

2021 Annual Report

Our annual report for the fiscal year ended July 2, 2021, including audited financial statements, will be available over the Internet through our website at www.aviatnetworks.com 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 July 2, 2021 with the SEC on August 25, 2021. 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 200 Parker Drive, Suite C100A, Austin, TX 78728, 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 or any adjournment thereof. 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 512-265-3680 or at our headquarters at 200 Parker Drive, Suite C100A, Austin, TX 78728. If you are a beneficial stockholder, you may contact the broker or bank where you hold the account.

ANNEX 1

AVIAT NETWORKS, INC.

AMENDED AND RESTATED 2018 INCENTIVE PLAN

1. Establishment and Purpose

In March 2018, the Board and the Company's stockholders originally approved the Aviat Networks, Inc. 2018 Incentive Plan to be effective March 20, 2018 (the "Original Effective Date"), and subject to stockholder approval at the Annual Meeting in November 2021, the Aviat Networks, Inc. Amended and Restated 2018 Incentive Plan shall go into effect. The Amended and Restated Incentive 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 an amended and restated stock equity plan to be known as the Amended and Restated 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 , subject to the approval of the Company's shareholders, shall become effective as of November 10, 2021 (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 amends and restates the original 2018 Incentive Plan, effective February 12, 2018 which replaced the Amended and Restated 2007 Stock Equity Plan (the "Prior Plan"), which Prior Plan was automatically terminated, replaced and superseded by this Plan as of the Original Effective Date, 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. Similarly, any Award that was granted pursuant to the original 2018 Incentive Plan prior to the new Effective Date shall continue to be subject to the terms of the 2018 Incentive Plan prior to this amendment and restatement, and applicable Award Agreements as in effect as of the date of the grant of that Award.

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 Original Effective Date has the meaning set forth in Section 1.

2.22 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.

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

2.24 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.

2.25 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.

2.26 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.

2.27 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.

2.28 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.

2.29 Plan has the meaning set forth in Section 1.1.

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

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

2.32 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.

2.33 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.

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

2.35 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.

2.36 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.

2.37 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.

2.38 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 original 2018 Incentive Plan by the Board and ending immediately prior to the 7th anniversary of the earlier of the adoption of the original 2018 Incentive 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

The original share reserve for the 2018 Plan was 500,000 shares (adjusted to 1,000,000 in connection with a 2 for 1 stock split in April 2021). Of those shares, a total of 784,793 shares remain available for issuance under the 2018 Plan as of July 2, 2021. 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) 2,250,000 Shares, plus (ii) the number of shares of common stock of the Company which remained available for grants of options or other awards under the Prior Plan as of the Original Effective Date, plus (iii) the number of Shares that, after the Original 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 administering 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.

11. 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.

12. 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.

13. Settlement of Awards

13.1 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.

13.2 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.

13.3 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.

13.4 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.

13.5 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.

13.6 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.

13.7 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.

13.8 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.

14. 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.

15. Rights of Participants

15.1 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.

15.2 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.

15.3 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.

16. 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.

17. 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.

18. 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.

19. General Provisions

19.1 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.

19.2 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).

19.3 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.

19.4 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.

19.5 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.

19.6 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 July 2, 2021 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

(State or other jurisdiction of incorporation or organization)

20-5961564

(I.R.S. Employer Identification No.)

200 Parker Drive, Suite C100A, Austin, Texas

(Address of principal executive offices)

78728

(Zip Code)

Registrant's telephone number, including area code: (408) 941-7100

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

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$0.01 per share	AVNW	NASDAQ Stock Market LLC
Preferred Share Purchase Rights		NASDAQ Stock Market LLC

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

As of January 1, 2021, the aggregate market value of the registrant's common stock held by non-affiliates was approximately \$165.4 million. For purposes of this calculation, the registrant has assumed that its directors, executive officers and holders of 10% or more of the outstanding common stock are affiliates.

As of August 20, 2021, there were 11,165,221 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its fiscal 2021 Annual Meeting of Stockholders ("Proxy Statement"), which will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended July 2, 2021, are incorporated by reference into Part III of this Annual Report on Form 10-K.

AVIAT NETWORKS, INC.
ANNUAL REPORT ON FORM 10-K
For the Fiscal Year Ended July 2, 2021
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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, Inc. 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:

- *the impact of COVID-19 on our business, operations and cash flows;*
- *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;*
- *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, the effects of COVID-19 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 effects of current and future government regulations, including the effects of current restrictions on various commercial and economic activities in response to the COVID-19 pandemic;*
- *general economic conditions, including uncertainty regarding the timing, pace and extent of an economic recovery in the United States and other countries where we conduct business;*
- *the conduct of unethical business practices in developing countries;*
- *the impact of political turmoil in countries where we have significant business;*
- *the impact of tariffs, the adoption of trade restrictions affecting our products or suppliers, a United States withdrawal from or significant renegotiation of trade agreements, the occurrence of trade wars, the closing of border crossings, and other changes in trade regulations or relationships; and*

- *our ability to implement our stock repurchase program or that it will enhance long-term stockholder value.*
- *our ability to meet financial covenant requirements which could impact, among other things, our liquidity;*

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 expressly disclaim any obligation, other than as required 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,” “Aviat,” “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 200 Parker Dr., Suite C100A, Austin, Texas 78728, 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 July 2, 2021, we had 687 employees compared with 674 employees as of July 3, 2020.

Overview and Description of the Business

We design, manufacture and sell a range of wireless networking products, solutions and services to two principal customer types.

1. Communications Service Providers (“CSPs”): These include mobile and fixed telecommunications network operators, broadband and internet service providers and network operators which generate revenues from the communications services that they provide.
2. Private network operators: These are customers which do not resell communications services but build networks for reasons of economics, autonomy, and/or security to support a wide variety of mission critical performance applications. Examples include federal, state and local government agencies, transportation agencies, energy and utility companies, public safety agencies and broadcast network operators around the world.

We sell products and services directly to our customers, and, to a lesser extent, 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 optimized for a microwave and millimeter wave environment and for hybrid applications of microwave and optical fiber transport, to form complete networking solutions. We provide software tools and applications to enable deployment, monitoring, network management and optimization of our systems as well as to automate network design and procurement. We also source, qualify, supply and support 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, optimization 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 to offshore oil and gas production platforms. Through the air wireless transmission is also inherently lower in latency than transmission through optical cables and can be leveraged in time sensitive networking applications.

Revenue from our North America and international regions represented approximately 67% and 33% of our revenue in fiscal 2021, respectively, 64% and 36% of our revenue in fiscal 2020, respectively, and 54% and 46% of our revenue in fiscal 2019, respectively. 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 10. 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/5G Networks

As mobile networks expand, add subscribers and increase the number of wirelessly connected devices, sensors and machines, they require ongoing 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.

- *5G Deployments.* Mobile Radio Access Network (“RAN”) technologies are continually evolving. With the evolution from 4G (HSPA+ and LTE) to 5G, technology is continuously 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.
- *Network Densification.* 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 interconnection and proportionally driving increased demand for wireless backhaul and or fronthaul solutions as the primary alternative to optical fiber connectivity.
- *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.

Rural Broadband

- *Middle Mile.* Aviat transport equipment is used to deliver broadband connectivity to rural and suburban communities as an alternative to costly fiber. There are significant investments being made to improve rural household and enterprise connectivity and many of these investments target middle mile infrastructure builds.
- *Expansion of Offered Services.* Internet service providers, especially those 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.

Private Networks

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.
- 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.
- 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 executing future generations of our technology, our goal is to make wireless technology a viable choice for an ever-broadening range of network types.

Strategy

As we continue executing our technology roadmap, we are engaging more deeply with customers on the evolution of use cases and applications as 5G mobile and broadband networks edge closer to implementation and begin to factor more strongly in the vendor selection process. We are confident in our ability to address current and future 5G market needs.

We are focused on building a sustainable and profitable business with 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 strategy has three main elements aligned to deliver a compelling Total Cost of Ownership (“TCO”) value proposition. The first is our portfolio of wireless transport products allowing our customers increased capacity and flexibility with a much better total cost solution. We are expanding the data-carrying capacity of our wireless products to address the increasing data demand in networks of all types.

Second, in order to address the operational complexity of planning, deploying, owning and operating microwave networks, we are investing in a combination of software applications, tools and services where simplification, process automation and our unique expertise in wireless technology can make a significant difference for our customers and partners.

Finally, Aviat is investing in e-commerce through our Aviat Store platform and supporting supply chain capabilities. Aviat can better service customers buying through the Aviat Store with lower costs, faster lead times and a simpler purchasing experience. The Aviat Store, together with our supply chain, enables customers (including Tier 2 and mobile 5G operators) to purchase products as needed, thus avoiding lengthy and variable lead times that come with other vendor solutions and allowing those customers to lower warehousing costs, reduce obsolete equipment, and lower the cost of capital by paying only when equipment is needed.

We continue to develop our professional services portfolio as key to our long-term strategy and differentiation. We offer a portfolio of hosted expert services and we continue to offer training and accreditation programs for microwave and IP network design, deployment and maintenance.

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 that addresses a broad range of applications, frequencies, capacities and network topologies.

- *Broad product and solution portfolio.* We offer a comprehensive suite of wireless transmission systems for microwave and millimeter wave networking applications. These solutions utilize a wide range of transmission frequencies, ranging from 5 GHz to 90 GHz, and can deliver a wide range of transmission capacities, ranging up to 20 Gigabits per second (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 software-defined networks (“SDN.”) SDN technology is an approach to networking management that enables dynamic, programmatically efficient networking configuration in order to improve networking performance and monitoring, making it more like cloud computing than traditional networking management. We have now introduced multiple important variants to the WTM 4000 platform; WTM4100 & 4200 providing single and dual frequency microwave links with advanced XPIC and MIMO capabilities; WTM4500 for multi-channel aggregation of microwave channels in long distance applications; WTM4800 is the latest addition to address 5G network requirements and is capable of operating in the 80GHz E Band at up to 20Gbps capacity, with a unique Multi-Band capability which simultaneously uses microwave and E Band frequencies for maximum robustness. WTM 4800 is the industry’s only single box multi-band solution for lowest total cost of ownership deployments. To address the issues of operational complexity in our customers’ networks, AviatCloud is a platform with secure hosted software and services to automate networks and their operations.
- *Low total cost of ownership.* Our wireless-based solutions are focused on achieving a 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 in 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 focused 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 introduced a direct online sales option through our online “Aviat Store” for our WTM radio platform, initially in North America and targeted at wireless internet service providers delivering broadband services in rural and underserved areas. We provide online design tools for radio link planning and on-line ordering tools, which we fulfill directly from our Aviat Store with multiple options of product available for next day shipment. Shipments from Aviat Store commenced late in 2018.

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 American Act.

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 was approximately \$225 million at July 2, 2021 and \$210 million at July 3, 2020 consisting 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 new incremental 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 revalidation, adjustments for revenue not materialized and adjustments for currency.

We expect to substantially deliver against the backlog as of July 2, 2021 during fiscal 2022, 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 as well as long-term projects that could take more than a year to complete. 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.

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.

Mobile Telephone Networks Group (“MTN Group”) in Africa accounted for 11% of fiscal 2019 total revenue. We have entered into separate and distinct contracts with MTN Group as well as separate arrangements with MTN Group subsidiaries. No customer was greater than 10% of total revenue for fiscal 2021 or 2020.

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 Corporation and Nokia Corporation, as well as a number of smaller microwave specialist companies such as Ceragon Networks Ltd. and SIAE Microelettronica S.p.A.

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 product 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 signal processing, networking protocols and software applications.

Our research and development expenditures totaled \$21.8 million, or 7.9% of revenue, in fiscal 2021, \$19.3 million, or 8.1% of revenue, in fiscal 2020, and \$21.1 million, or 8.7% of revenue, in fiscal 2019.

Research and development are primarily directed to the development of new products and to build 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 totaled 154 employees as of July 2, 2021, and were located primarily in New Zealand and Slovenia.

Raw Materials and Supplies

Because of the range of our products and services, as well as the wide geographic dispersion of our facilities, we use numerous sources 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 customers' requirements or regulatory restrictions and to meet performance and quality specifications and delivery schedules.

Our strategy for procuring raw material and supplies includes dual sourcing on strategic assemblies and components. In general, we believe this reduces our risk with regard to the potential financial difficulties in our supply base. In some instances, we are dependent upon one or a few sources, either because of the specialized nature of a particular item or because of local content preference requirements pursuant to which we operate on a given project. Examples of sole or limited source categories include metal fabrications and castings, for which we own the tooling and therefore limit our supplier relationships, and 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 sites which would also mitigate COVID-19 risks.

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 currently experienced by high-tech manufacturing companies and are due primarily to the highly technical nature of many of our purchased components.

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 July 2, 2021, we held 434 U.S. patents and 462 international patents and had 14 U.S. patent applications pending and 19 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 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 July 2, 2021, we had 687 employees, compared with 674 employees at the end of fiscal 2020, and 708 employees at the end of fiscal 2019. As of July 2, 2021, of the 687 employees, 661 were full-time employees with 278 located in the U.S. 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 August 25, 2021, are as follows:

Name and Age

Position Currently Held and Past Business Experience

Peter A. Smith, 55 Mr. Smith was appointed President and Chief Executive Officer in January 2020. Prior to joining Aviat Networks, Mr. Smith served as Senior Vice President, US Windows and Canada for Jeld-Wen from March 2017 to December 2019. Prior to Jeld-Wen, he served as President of Polypore International's Transportation and Industrial segment from October 2013 to March 2017. Previously, he served as Chief Executive Officer and a director of Voltaix Inc. from September 2011 to October 2013. Earlier in his career, Mr. Smith held various executive leadership positions at Fortune 100 and Fortune 500 companies, including Cooper Industries, Dover Knowles Electronics and Honeywell Specialty Materials. Mr. Smith also served on the board of Soleras Advanced Coatings from August 2015 to October 2018. He has both a Bachelor of Science degree in Material (Ceramics) Engineering and PhD in Material Science and Engineering from Rutgers University, and holds a Master of Business Administration degree from Arizona State University.

Eric Chang, 48 Mr. Chang was appointed Senior Vice President and Chief Financial Officer in April 2020. Mr. Chang joined Aviat Networks in February 2016 as our Vice President, Corporate Controller and Principal Accounting Officer. Prior to joining Aviat Networks, from 2013 to 2016, Mr. Chang was the Senior Director, Corporate Controller at Micrel, Incorporated. From 2007 to 2013, he served as Senior Director, Assistant Controller and Business Unit Controller at Atmel Corporation. From 2003 to 2007, he was at Ernst & Young LLP, most recent as Senior Audit Manager. Mr. Chang is a Certified Public Accountant in California and holds a Bachelor of Science degree in Accounting and Computer Information Systems from Indiana University Kelley School of Business.

Bryan C. Tucker, 53 As Senior Vice President Americas, Mr. Tucker is responsible for sales and services in the Americas. Mr. Tucker joined the Company in 2005, and since, has served in a number of roles for Aviat Networks and its predecessor companies Harris Stratex Networks and Harris Microwave Communications Division ("MCD"). For example, as senior director for North America Operations, Mr. Tucker spearheaded major transitions in ERP systems, product lines and operational locations. He also led the company's post-merger systems unification with Harris MCD in 2007. Before joining Aviat Networks, Mr. Tucker worked for Sony Corp. as director of Manufacturing Engineering and Maintenance for two production facilities. Overall, Mr. Tucker has more than 24 years of experience in engineering and manufacturing operations with high-tech companies. He has a bachelor's degree in electrical engineering from the University of Florida, is Six Sigma Certified and has pursued postgraduate studies/research in semiconductor physics at Georgia Tech.

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.

Website Access to Aviat Networks' Reports; Available Information

We maintain a website 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 website 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>.

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

The nature of the business activities conducted by the Company subjects us to certain hazards and risks. The following is a summary of some of the material risks relating to the Company’s business activities. Other risks are described in “Item 1. Business,” “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Item 7A. Quantitative and Qualitative Disclosures About Market Risk.” 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 in our other public filings.

We face 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 not currently known to us or that we currently deem immaterial may also impair our business operations. If any of these risks occur, our financial condition and results of operations could be materially and adversely affected. In that case, the market price of the Company’s common stock could decline.

Risk Factors Summary

The following is a summary of the principal risks that could adversely affect our business, operations and financial results.

Business and Operational Risk Factors

- Our sales cycle may be lengthy, and the timing of sales, along with additional services such as network design, 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.
- The ongoing global COVID-19 pandemic could adversely affect our business, financial condition and results of operations.
- 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 must continue to increase our revenues and/or reduce costs if we hope to maintain profitability.
- Our quarterly results may be volatile, which can adversely affect the trading price of our common stock.
- Our success will depend on new products introduced to the marketplace in a timely manner, successfully completing product transitioning and achieving customer acceptance.
- We rely on various third-party service partners to help complement our global operations, and failure to adequately manage these relationships could adversely impact our financial results and relationships with customers.
- We must respond to rapid technological change and comply with evolving industry standards and requirements for our products to be successful.
- Our average sales prices may decline in the future.
- Credit and commercial risks and exposures could increase if the financial condition of our customers declines.
- Our restructuring actions could harm our relationships with our employees and impact our ability to recruit new employees.
- Our business could be adversely affected if we are unable to attract and retain key personnel.
- We face strong competition for maintaining and improving our position in the market, which can adversely affect our revenue growth and operating results.
- Our ability to sell our products and compete successfully is highly dependent on the quality of our customer service and support, and our failure to offer high quality service and support could have a material adverse effect on our sales and results of operations.
- Product performance problems, including undetected errors in our hardware or software, or deployment delays could harm our business and reputation.
- 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 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 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.
- 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.
- We continually evaluate strategic transaction opportunities which could involve merger, divestiture, sale and/or acquisition activities that could disrupt our operations and harm our operating results.
- If we fail to develop and maintain distribution and licensing relationships, our revenue may decrease.

Financial and Macroeconomic Risk Factors

- 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 may not be able to obtain capital when desired on favorable terms, if at all, or without dilution to our stockholders.
- The effects of 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.
- Changes in tax laws, treaties, rulings, regulations or agreements, or their interpretation in any country in which we operate; the loss of a major tax dispute; a successful challenge to our operating structure, intercompany pricing policies or the taxable presence of our key subsidiaries in certain countries; or other factors could cause volatility in our effective tax rate and could adversely affect our operating results.
- 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.
- We may be adversely affected by fluctuations in currency exchange rates.

Legal and Regulatory Risk Factors

- Continued tension in U.S.-China trade relations may adversely impact our supply chain operations and business.
- 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.
- 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.
- 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.
- 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 or potential liabilities in the future.
- There are inherent limitations on the effectiveness of our controls.
- Our products are used in critical communications networks which may subject us to significant liability claims.
- 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.
- 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.

General Risk Factors

- Natural disasters or other catastrophic events could have an adverse effect on our business.
- We cannot guarantee that our stock repurchase program will be fully implemented or that it will enhance long-term stockholder value.
- 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.

For a more complete discussion of the material risks facing our business, see below.

Business and Operational Risk Factors

Our sales cycle may be lengthy, and the timing of sales, along with additional services such as network design, 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 experience 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, usually taking several months or more. 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. Once a purchase agreement has been executed, the timing and amount of revenue, if applicable, may remain difficult to predict. Our typical product sales cycle, which results in our products being designed into our customers' networks, can take 12 to 24 months. A number of factors contribute to the length of the sales cycle, including technical evaluations of our products and the design process required to integrate our products into our customers' networks. The completion of services such as 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.

Due to the challenges from 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.

The ongoing global COVID-19 pandemic could adversely affect our business, financial condition and results of operations.

In March 2020, the World Health Organization characterized the current respiratory illness caused by novel coronavirus disease, known as COVID-19, as a pandemic. The pandemic has resulted in government authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place or stay-at-home orders, and business shutdowns. Our global operations expose us to risks associated with public health crises and epidemics/pandemics, such as the COVID-19 pandemic. The COVID-19 pandemic has, and is expected to continue to have, an impact on our operations, supply chains and distribution systems. The extent to which the COVID-19 pandemic continues to affect our business, prospects and results of operations will depend on future developments, many of which are highly uncertain, including, but not limited to, the duration and spread of the pandemic, its severity, the actions to contain the virus or treat its impact, including ongoing vaccination efforts, any new variant strains of the underlying virus and how quickly and to what extent normal economic and operating activities can resume. Management continues to monitor the impact of COVID-19 on the Company's financial condition, liquidity, operations, suppliers, industry, and workforce.

Our first priority remains the health and safety of our employees and their families. Employees whose tasks can be done off-site have been instructed to work from home. Our sites support essential businesses and remain operational. We are maintaining social distancing for workers on-site and have enhanced cleaning protocols and usage of personal protective equipment, where appropriate. There is no certainty that such measures will be sufficient to mitigate the risks posed by COVID-19, and our ability to perform critical functions could be harmed as a result.

Depending on pandemic-related factors like the uncertain duration of temporary manufacturing restrictions as well as our ability to perform field services during shelter in place orders, we could/may continue to experience constraints and delays in fulfilling customer orders in future periods.

While the ultimate effects of the pandemic on our business are uncertain, the pandemic and related government actions, including restrictions on travel, temporary closure of businesses and stay at home orders have, and are likely to continue to have, an adverse impact on global economic conditions and consumer confidence and spending, which could materially affect demand for our products. Our customers could become more conservative in response to the pandemic and economic conditions and may seek to reduce their purchases. Our results of operations depend upon, among other things, our ability to maintain and increase sales volume with existing customers, our ability to attract new customers and the financial condition of our customers. Decreases in demand for our products without a corresponding decrease in costs would negatively impact our operating margins and financial results.

We are monitoring, assessing and adapting to the situation and have prepared for implications to our business, supply chain and customer demand. We expect these challenges to continue until business and economic activities return to more normal levels. The financial results for the fiscal year reflect some of the reduced activity experienced during the period in various locations around the world and are not necessary indicative of the results for the next fiscal period or fiscal year.

Our business and operating results are affected by the global business environment and economic conditions, including changes in interest rates, availability of capital from credit providers, consumer confidence, rates of inflation, geopolitical issues and other macro-economic factors. The United States and global economies continue to experience a period of economic and financial uncertainty, in part due to COVID-19 and the related public health actions taken by many governments and businesses. An economic downturn, whether related to COVID-19 or otherwise, could lead to decreased customer demand, inability to execute installs and/or service, or the inability of our customers to pay for our products, the inability of suppliers to deliver the components necessary to manufacture our products, and reduced access to capital from credit providers and through the capital markets, among other things, which could adversely affect our business, results of operations and financial condition.

To the extent the COVID-19 pandemic adversely affects the global economy moving forward, and/or adversely affects our business, operations or financial performance, it may also have the effect of increasing the likelihood and/or magnitude of other risks described in the “Risk Factors” set forth in this Item 1A.

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 \$2.3 million, \$4.0 million and \$0.7 million in fiscal 2021, 2020 and 2019, 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.

We must continue to increase our revenues and/or reduce costs if we hope to maintain profitability.

As measured under U.S. generally accepted accounting principles (“U.S. GAAP”), we recorded net income of \$110.1 million in fiscal 2021, compared to \$0.3 million in fiscal 2020 and \$9.7 million in fiscal 2019. We generated cash from operations of \$17.3 million, \$17.5 million and \$2.9 million in fiscal 2021, 2020 and 2019, respectively.

Throughout fiscal 2021, 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 maintain profitability.

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

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;
- maintaining appropriate inventory levels and purchase commitments;
- failure to realize expected cost improvement throughout our supply chain;
- order cancellations or postponements in product deliveries, including due to the COVID-19 pandemic, resulting in delayed revenue recognition;
- restructuring and streamlining of our operations;
- war and acts of terrorism;
- natural disasters;
- diseases or pandemics, such as the COVID-19 pandemic, and corresponding governmental actions;
- 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.

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 product 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 non-competitive or obsolete and result in significant reduction in orders from our customers and the loss of existing and prospective customers.

We rely on various third-party service partners to help complement our global operations, and failure to adequately manage these relationships could adversely impact our financial results and relationships with customers.

We rely on a number of third-party service partners, both domestic and international, to complement our global operations. We rely upon these partners for certain installation, maintenance, logistics and support functions. In addition, as our customers increasingly seek to rely on vendors to perform additional services relating to the design, construction and operation of their networks, the scope of work performed by our service partners is likely to increase and may include areas where we have less experience providing or managing such services. We must successfully identify, assess, train and certify qualified service partners in order to ensure the proper installation, deployment and maintenance of our products. The vetting and certification of these partners can be costly and time-consuming, and certain partners may not have the same operational history, financial resources and scale as we have. Moreover, certain service partners may provide similar services for other companies, including our competitors. We may not be able to manage our relationships with our service partners effectively, and we cannot be certain that they will be able to deliver services in the manner or time required, that we will be able to maintain the continuity of their services, or that they will adhere to our approach to ethical business practices. Our service partners may also experience challenges in providing services to us as a result of the impact of the COVID-19 pandemic. We may also be exposed to a number of risks or challenges relating to the performance of our service partners, including:

- delays in recognizing revenue;
- liability for injuries to persons, damage to property or other claims relating to the actions or omissions of our service partners;
- our services revenue and gross margin may be adversely affected; and
- our relationships with customers could suffer.

If we do not effectively manage our relationships with third-party service partners, or if they fail to perform these services in the manner or time required, our financial results and relationships with our customers could be adversely affected.

We must respond to rapid technological change and comply with evolving industry standards and requirements for our products to be successful.

The optical transport networking equipment market is characterized by rapid technological change, changes in customer requirements and evolving industry standards. We continually invest in research and development to sustain or enhance our existing products, but the introduction of new communications technologies and the emergence of new industry standards or requirements could render our products obsolete. Further, in developing our products, we have made, and will continue to make, assumptions with respect to which standards or requirements will be adopted by our customers and competitors. If the standards or requirements adopted by our prospective customers are different from

those on which we have focused our efforts, market acceptance of our products would be reduced or delayed, and our business would be harmed.

We are continuing to invest a significant portion of our research and development efforts in the development of our next-generation products. We expect our competitors will continue to improve the performance of their existing products and introduce new products and technologies and to influence customers' buying criteria so as to emphasize product capabilities that we do not, or may not, possess. To be competitive, we must anticipate future customer requirements and continue to invest significant resources in research and development, sales and marketing, and customer support. If we do not anticipate these future customer requirements and invest in the technologies necessary to enable us to have and to sell the appropriate solutions, it may limit our competitive position and future sales, which would have an adverse effect on our business and financial condition. We may not have sufficient resources to make these investments and we may not be able to make the technological advances necessary to be competitive.

Our average sales prices may decline in the future.

We have experienced, and could 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, to reduce the 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, including the Company, 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. Our customers' financial conditions face additional challenges in many emerging markets, where our customers are being affected not only by recession, but by deteriorating local currencies and a lack of credit and, more broadly, by the COVID-19 pandemic and related economic effects. If customers fail to meet their obligations to us, we may experience reduced cash flows and losses in excess of reserves, which could materially adversely impact our results of operations and financial position.

Our 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 "Risk Factors - Business and Operational Risk Factors - Because a significant amount of our revenue may come from a limited number of customers, the termination of any of these customer relationships may adversely affect our business." Our historical accounts receivable balances have been concentrated in a small number of significant customers. Unexpected adverse events impacting the financial condition of our customers, bank failures or other unfavorable regulatory, economic or political events in the countries in which we do business may impact collections and adversely impact our business, require increased bad debt expense or receivable write-offs and adversely impact our cash flows, financial condition and operating results, which could also result in a breach of our bank covenants.

Our 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 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.

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 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.

Our ability to sell our products and compete successfully is highly dependent on the quality of our customer service and support, and our failure to offer high quality service and support could have a material adverse effect on our sales and results of operations.

Once our products are delivered, our customers depend on our service and support to resolve any issues relating to our products. Our support personnel includes employees in various geographic locations, who provide general technical support to our customers. A high level of support is important for the successful marketing and sale of our products. If we do not effectively help our customers quickly resolve issues or provide effective ongoing support, it could adversely affect our ability to sell our products to existing customers as well as demand for maintenance and renewal contracts and could harm our reputation with existing and potential customers.

Product performance problems, including undetected errors in our hardware or software, or deployment delays could harm our business and reputation.

The development and production of products with high technology content is complicated and often involves problems with hardware, software, components and manufacturing methods. Complex hardware and software systems, such as our products, can often contain undetected errors or bugs when first introduced or as new versions are released. In addition, errors associated with components we purchase from third parties, including customized components, may be difficult to resolve. We have experienced issues in the past in connection with our products, including failures due to the receipt of faulty components from our suppliers and performance issues related to software updates. From time to time we have had to replace certain components or provide software remedies or other remediation in response to errors or bugs, and we may have to do so again in the future. In addition, performance issues can be heightened during periods where we are developing and introducing multiple new products to the market, as any performance issues we encounter in one technology or product could impact the performance or timing of delivery of other products. Our products may also suffer degradation of performance and reliability over time.

If reliability, quality, security or network monitoring problems develop, a number of negative effects on our business could result, including:

- reduced orders from existing customers;
- declining interest from potential customers;
- delays in our ability to recognize revenue or in collecting accounts receivables;
- costs associated with fixing hardware or software defects or replacing products;
- high service and warranty expenses;
- delays in shipments;
- high inventory excess and obsolescence expense;
- high levels of product returns;
- diversion of our engineering personnel from our product development efforts; and
- payment of liquidated damages, performance guarantees or similar penalties.

Because we outsource the manufacturing of certain components of our products, we may also be subject to product performance problems as a result of the acts or omissions of third parties, and we may not have adequate compensating remedies against such third parties.

From time to time, we encounter interruptions or delays in the activation of our products at a customer's site. These interruptions or delays may result from product performance problems or from issues with installation and activation, some of which are outside our control. If we experience significant interruptions or delays that we cannot promptly resolve, the associated revenue for these installations may be delayed or confidence in our products could be undermined, which could cause us to lose customers, fail to add new customers, and consequently harm our financial results.

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 customers' needs, including ours, during periods of excess demand.

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

We outsource 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. There can be no assurance that we will not encounter problems with our contract manufacturer related to 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 they do 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.

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 2019 we had one customer in Africa, MTN Group, that accounted for 11% of our total revenue, respectively. No customer accounted for more than 10% of our total revenue in fiscal 2021 or 2020. 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.

In addition, 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, 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.

It is possible that a significant portion of our future product sales could become even more concentrated in a limited number of customers due to the factors described above. 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, the consolidation of existing customers, or our inability to gain additional customers could result in declines in our revenue or an inability to grow revenue.

We continually evaluate strategic transaction opportunities which could involve merger, 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 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.

Financial and Macroeconomic Risk Factors

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 fiscal 2021, our sales to international customers accounted for 34% 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;
- restrictions on travel to locations where we conduct business, including those imposed due to COVID-19;
- 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 have no assurance 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 ownership of our existing stockholders could be significantly diluted, and these newly-issued securities may have rights, preferences or privileges senior to those of existing stockholders.

The effects of 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 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.

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, economic conditions in certain markets could materially adversely affect our suppliers' access to capital and liquidity with which to maintain their inventories, production levels, 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, 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.

Changes in tax laws, treaties, rulings, regulations or agreements, or their interpretation in any country in which we operate; the loss of a major tax dispute; a successful challenge to our operating structure, intercompany pricing policies or the taxable presence of our key subsidiaries in certain countries; or other factors could cause volatility in our effective tax rate 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;
- our 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, treaties, rulings, regulations or agreements or the interpretation of such tax laws, treaties, rulings, regulations or agreements, including the impact of the Tax Cuts and Jobs Act of 2017 and any new administrations;

- the resolution of issues arising from tax audits with various tax authorities, including the loss of a major tax dispute;
- local tax authority challenging our operating structure, intercompany pricing policies or the taxable presence of our key subsidiaries in certain countries;
- 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 deduction 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 results of operations.

We believe that these Tax Benefits are a valuable asset for us. On September 6, 2016, the Board adopted certain amendments to our Amended and Restated Certificate of Incorporation, as amended (the “Charter Amendments”), to protect our tax benefits. In addition, on March 3, 2020, the Board approved a Tax Benefit Preservation Plan (as amended and restated on August 27, 2020, the “Plan”) in an effort to protect our Tax Benefits during the effective period of the Plan. We submitted the Plan to a stockholder vote and our stockholders approved the plan at the 2020 Annual Meeting of Stockholders. 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.

We may be adversely affected by fluctuations in currency exchange rates.

A portion of our sales and expenses stem from countries outside of the United States, and are in currencies other than U.S. dollars, and therefore subject to foreign currency fluctuation. Accordingly, fluctuations in foreign currency rates could have a material impact on our financial results in future periods. We currently enter into foreign currency exchange forward contracts to reduce the impact of foreign currency fluctuations on certain non-functional currency account balances, and also to reduce the volatility of cash flows primarily related to forecasted foreign currency revenue

and expenses. These forward contracts reduce the impact of currency exchange rate movements on certain transactions, but do not cover all foreign-denominated transactions and therefore do not entirely eliminate the impact of fluctuations in exchange rates on our results of operations and financial condition.

Legal and Regulatory Risk Factors

Continued tension in U.S.-China trade relations may adversely impact our supply chain operations and business.

The U.S. government has taken certain actions that change U.S. trade policies, including tariffs that affect certain products manufactured in China. Some components manufactured by our Chinese suppliers are subject to tariffs if imported into the United States. The Chinese government has taken certain reciprocal actions, including recently imposed tariffs affecting certain products manufactured in the United States. Certain of our products manufactured in our U.S. operations have been included in the tariffs imposed on imports into China from the United States. Although some of the products and components we import are affected by the tariffs, at this time, we do not expect these tariffs to have a material impact on our business, financial condition or results of operations.

It is unknown whether and to what extent additional new tariffs (or other new laws or regulations) will be adopted that increase the cost or feasibility of importing and/or exporting products and components from China to the United States and vice versa. Further, the effect of any such new tariffs or retaliatory actions on our industry and customers is unknown and difficult to predict. As additional new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated or if China or other affected countries take retaliatory trade actions, such changes could have a material adverse effect on our business, financial condition, results of operations or cash flows.

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. New financial accounting standards which may be adopted by FASB could result in significant changes to our accounting and/or financial reporting practices that could adversely affect our financial condition and results of operations.

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 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 may be affected by the allocation and auction of the radio frequency spectrum by governmental authorities both in the U.S. and internationally. The unavailability of sufficient radio frequency spectrum may inhibit the future growth of wireless communications networks. In addition, to operate in a jurisdiction, we must obtain regulatory approval for our products and each jurisdiction in which we market our products has its own regulations governing radio

communications. If we are unable to obtain sufficient allocation of radio frequency spectrum by the appropriate governmental authority or obtain the proper regulatory approval for our products, our business, financial condition and results of operations may be harmed.

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

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, 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.

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. Due to the COVID-19 pandemic, an increased number of our employees are working from home and connecting to our networks remotely, which we believe may further increase the risk of, and our vulnerability to, a cyber-attack or breach on our network.

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.

As cyber-attacks become more sophisticated, the need to develop our infrastructure to secure our business can lead to increased cybersecurity protection costs. Such costs may include making organizational changes, deploying additional personnel and protection technologies, training employees, and engaging third party experts and consultants. These efforts come at the potential cost of revenues and human resources that could be utilized to continue to enhance our product offerings, and such increased costs may adversely affect our operating margins.

Additionally, certain of our suppliers have in the past and may in the future experience cybersecurity attacks that can constrain their capacity and ability to meet our product demands. If our contract manufacturers and suppliers suffer future cyberattacks, 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.

General Risk Factors

Natural disasters or other catastrophic events could have an adverse effect on our business.

Natural disasters, such as hurricanes, earthquakes, fires, extreme weather conditions and floods, could adversely affect our operations and financial performance. Such events could result in physical damage to one or more of our facilities, the temporary closure of one or more of our facilities or those of our suppliers, a temporary lack of an adequate work force in a market, a temporary or long-term disruption in the supply of products from local or overseas suppliers, a temporary disruption in the transport of goods from overseas, and delays in the delivery of goods. Public health issues, whether occurring in the United States or abroad, could disrupt our operations, disrupt the operations of suppliers or customers, or have an adverse impact on customer demand. As a result of any of these events, we may be required to suspend operations in some or all of our locations, which could have an adverse effect on our business, financial condition, results of operations, and cash flows. These events could also reduce demand for our products or make it difficult or impossible to receive components from suppliers. Although we maintain business interruption insurance and other insurance intended to cover some or all of these risks, such insurance may be inadequate, whether because of coverage amount, policy limitations, the financial viability of the insurance companies issuing such policies, or other reasons.

We cannot guarantee that our stock repurchase program will be fully implemented or that it will enhance long-term stockholder value.

In May 2018, the board of directors of the Company (the (“Board of Directors” or “Board”)) approved a stock repurchase program for the repurchase of up to \$7.5 million. Our repurchase program even if fully implemented, may not enhance long-term stockholder value. During fiscal 2021, 2020 and 2019 we repurchased \$0.8 million, \$1.8 million and \$2.3 million of our common stock in the open market respectively. As of July 2, 2021, \$2.6 million remained available for repurchase under our stock repurchase program.

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 July 2, 2021, we leased approximately 164,000 square feet of facilities worldwide, with approximately 37% in the United States, mostly in California and Texas. Our corporate headquarters is located in Austin, Texas, and consists of approximately 18,000 square feet of office space. We also lease approximately 24,000 square feet of office, assembly facilities and warehouse in multiple locations in Texas and 19,000 square feet of office space in Milpitas, California. Internationally, we lease approximately 103,000 square feet of facilities throughout Europe, North America, Africa and Asia regions, including offices in Singapore, Slovenia, Philippine Islands, India, Mexico, Canada, South Africa, Ghana, Ivory Coast, Kenya, Nigeria, Algeria, Congo, France, Netherlands, 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 leases, see “Note 4. Leases” 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 damages from a customer alleging that certain of our products were defective which we settled for an immaterial amount during the third quarter of 2021.

In March 2016, an enforcement action by the Indian Department of Revenue, Ministry of Finance was brought against our subsidiary Aviat Networks (India) Private Limited (“Aviat India”) relating to the non-realization of intercompany receivables and non-payment of intercompany payables, which originated from 1999 to 2012, within the time frames dictated by the Indian regulations under the Foreign Exchange Management Act (“FEMA”). In November 2017, the Indian Department of Revenue, Ministry of Finance also initiated a similar action against Telsima Communications Private Limited (“Telsima India”), a subsidiary of the Company, relating to the non-realization of intercompany receivables and non-payment of intercompany payables which originated from the period prior to our acquisition of Telsima India in February 2009. In September 2019, our directors of Aviat India appeared before the Ministry of Finance Enforcement Directorate. No settlement offers were discussed at the meeting and the matter is still ongoing with no subsequent hearing date currently scheduled. We have accrued an immaterial amount representing the estimated probable loss for which we would settle the matter. We currently cannot form an estimate of the range of loss in excess of our amounts already accrued. If the outcome of this matter is greater than the current immaterial amount accrued, we intend to dispute it vigorously.

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. We have not recorded any significant 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 on 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 20, 2021, there were 2,057 holders of record of our common stock.

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.

On April 7, 2021, we effected a two-for-one split in the form of a stock dividend to shareholders of record as of April 1, 2021.

Sales of Unregistered Securities

On April 13, 2021, we filed a registration statement on Form S-3 with the SEC using a "shelf" registration process. When we utilize the shelf registration we will be able to, from time to time, offer and sell, either individually or in combination, in one or more offerings, up to a total dollar amount of \$200 million of any combination of the securities described in the shelf registration statement or a related prospectus supplement. During fiscal 2021, we did not issue or sell any unregistered securities.

Issuer Repurchases of Equity Securities

In May 2018, our Board of Directors approved a stock repurchase program, which does not have an expiration date, for the repurchase of up to \$7.5 million of our common stock. The stock repurchase program was suspended temporarily between February 2020 and February 2021. During fiscal 2021, our Board of Directors voted to re-instate our stock repurchase program and we repurchased 19,587 shares of our common stock in the open market for an aggregate purchase price, including commissions, of \$0.8 million. These shares were recorded as treasury stock and we do not anticipate retiring them. Treasury stock did not participate in the two-for-one stock split in the form of a stock

dividend paid on April 7, 2021. As of July 2, 2021, \$2.6 million remained available for repurchases under our stock repurchase program.

Period	Total Number of Shares Repurchased	Average Price Paid per Share	Total Number of Shares Repurchased as Part of Publicly Announced Program	Approximate dollar Value of Shares that May Yet be Repurchased Under the Program ⁽¹⁾
				(in thousands)
April 3, 2021 through April 30, 2021	—	—	—	\$ 2,956
May 1, 2021 through May 28, 2021	11,287	\$ 29.10	11,287	\$ 2,627
May 29, 2021 through July 2, 2021	—	—	—	\$ 2,627
Total	<u>11,287</u>			

(1) In May 2018, our Board of Directors approved a stock repurchase program, which does not have an expiration date, for the repurchase of up to \$7.5 million of our common stock.

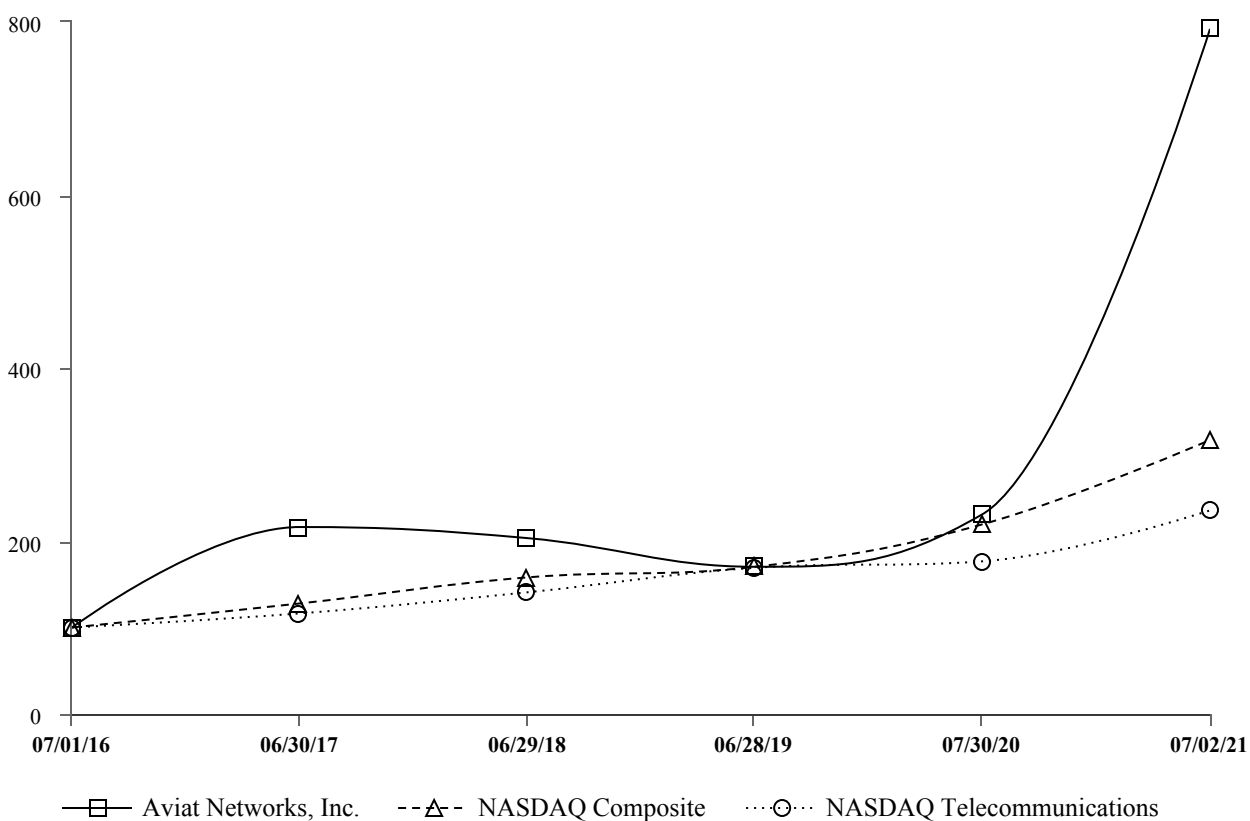
Performance Graph

The following graph and accompanying data compare 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 July 2, 2021. 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



	7/1/2016	6/30/2017	6/29/2018	6/28/2019	7/3/2020	7/2/2021
Aviat Networks, Inc.	\$ 100.00	\$ 216.15	\$ 203.35	\$ 170.19	\$ 230.93	\$ 792.05
NASDAQ Composite	\$ 100.00	\$ 127.76	\$ 157.91	\$ 170.20	\$ 219.27	\$ 316.73
NASDAQ Telecommunications	\$ 100.00	\$ 116.29	\$ 140.68	\$ 169.02	\$ 176.50	\$ 235.38

* Assumes (i) \$100 invested on July 1, 2016 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. Data presented for fiscal years 2021, 2020 and 2019 are included elsewhere in this Annual Report on Form 10-K. This table should be read in conjunction with our other financial information, including “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and notes, included elsewhere in this Annual Report on Form 10-K.

	Fiscal Year Ended				
	July 2, 2021	July 3, 2020	June 28, 2019	June 29, 2018	July 1, 2017
(In thousands, except per share amounts)					
Revenue from product sales and services	\$ 274,911	\$ 238,642	\$ 243,858	\$ 242,506	\$ 241,874
Cost of product sales and services	172,296	153,946	164,588	162,003	166,402
Income (loss) from continuing operations ⁽¹⁾⁽²⁾	110,139	257	9,738	2,302	(621)
Net income (loss) ^{(1), (2), (3)}	110,139	257	9,738	2,302	(621)
Net income attributable to noncontrolling interests, net of tax	—	—	—	457	202
Net income (loss) attributable to Aviat Networks	110,139	257	9,738	1,845	(823)
Basic and diluted net income (loss) per common share ⁽⁴⁾ :					
Net income (loss) - basic	\$ 9.98	\$ 0.02	\$ 0.91	\$ 0.17	\$ (0.08)
Net income (loss) - diluted	\$ 9.42	\$ 0.02	\$ 0.87	\$ 0.16	\$ (0.08)

-
- (1) Includes share-based compensation expense of \$2.9 million, \$1.7 million, \$1.7 million, \$2.4 million, and \$2.1 million for fiscal 2021, 2020, 2019, 2018, and 2017, respectively.
 - (2) Includes restructuring charges of \$2.3 million, \$4.0 million, \$0.7 million, \$1.3 million, and \$0.6 million for fiscal 2021, 2020, 2019, 2018, and 2017, respectively.
 - (3) Includes U.S. valuation allowance release of \$92.2 million related to U.S. federal and state deferred tax assets for fiscal 2021.
 - (4) On April 7, 2021, we effected a stock split in the form of a stock dividend of all of the outstanding shares of our common stock at a ratio of two-for-one (“Stock Split”). The authorized number of shares of 300 million and par value per share of our common stock of \$0.01 per share remained unchanged after the Stock Split.

	As of				
	July 2, 2021	July 3, 2020	June 28, 2019	June 29, 2018	July 1, 2017
(In thousands)					
Total assets	\$ 297,653	\$ 179,801	\$ 169,193	\$ 156,061	\$ 152,576
Long-term liabilities	17,949	17,150	15,466	12,077	12,218

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

Overview of Business; Operating Environment and Key Factors Impacting Fiscal 2021 and 2020 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 July 1, 2022 is referred to as "fiscal 2022" or "2022"; our fiscal year ended July 2, 2021 is referred to as "fiscal 2021" or "2021"; our fiscal year ended July 3, 2020 is referred to as "fiscal 2020" or "2020"; and our fiscal year ended June 28, 2019 is referred to as "fiscal 2019" or "2019." Our fiscal year ends on the Friday nearest to June 30. Fiscal 2021 presented included 52 weeks while fiscal 2020 included 53 weeks and fiscal 2019 included 52 weeks. This one week difference between fiscal 2021 and fiscal 2020 impacts the comparison of both revenue and expenses.

Overview

We achieved revenue growth of 15.2% in fiscal 2021. We anticipate further revenue growth in fiscal 2022. We continue to have a strong backlog entering fiscal 2022 and we anticipate continuing our strong momentum across all verticals. We have made inroads into the U.S. rural broadband and wireless internet service provider areas and there is now further evidence of investment to support 5G deployments with our U.S. service provider customers. Our international sales grew in fiscal 2021.

In March 2020, the World Health Organization characterized the current respiratory illness caused by novel coronavirus disease, known as COVID-19, as a pandemic. The pandemic has resulted in government authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place or stay-at-home orders, and business shutdowns. Our global operations expose us to risks associated with public health crises and epidemics/pandemics, such as the COVID-19 pandemic. The COVID-19 pandemic has had and is likely to continue to have an impact on our operations, supply chains and distribution systems. The COVID-19 pandemic has led to an increase in our expenses, including as a result of impacts associated with preventive and precautionary measures that we, other businesses and governments are taking or requiring. The extent to which the COVID-19 pandemic impacts our business, prospects and results of operations will depend on future developments, which are highly uncertain and cannot be predicted with certainty, including, but not limited to, the duration and spread of the pandemic, its severity, the actions to contain the virus or treat its impact, including ongoing vaccination efforts, any new variant strains of the underlying virus and how quickly and to what extent normal economic and operating activities can resume. Management is actively monitoring the impact of the COVID-19 pandemic on our financial condition, liquidity, operations, suppliers, industry, and workforce.

Our first priority remains the health and safety of our employees and their families. Employees whose tasks can be done offsite have been instructed to work from home. Our manufacturing sites remain operational, and we are maintaining social distancing and have enhanced cleaning protocols and usage of personal protective equipment, where appropriate.

The impact to our supply chain lead times and ability to fulfill orders was minimal for the year ended July 2, 2021. However, depending on pandemic-related factors such as constraints of supply of certain component parts, uncertain duration of temporary manufacturing restrictions and our ability to perform field services during shelter in place orders, we could experience constraints and delays in fulfilling customer orders in future periods. We are monitoring, assessing and adapting to the situation and preparing for possible implications to our business, supply chain and customer demand. We expect the potential for these challenges to continue until business and economic activities return to more normal levels. The financial results for the year ended July 2, 2021 reflect some of the reduced activity experienced during the period in various locations around the world and are not necessarily indicative of the results for the next fiscal period or fiscal year.

Operations Review

The market for mobile backhaul continued to be our primary addressable market segment globally in fiscal 2021. In North America, we supported 5G and 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 3G deployments, 5G deployments and LTE deployments. Our position continues to be to support our customers for 5G and 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 in “Overview” 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 the Middle East, (2) Europe and Russia and (3) Latin America and Asia Pacific. Revenue by region for fiscal 2021, 2020 and 2019 and the related changes are shown in the table below:

(In thousands, except percentages)	Fiscal Year			\$ Change		% Change	
	2021	2020	2019	2021/2020	2020/2019	2021/2020	2020/2019
North America	\$ 183,071	\$ 151,709	\$ 132,884	\$ 31,362	\$ 18,825	20.7 %	14.2 %
Africa and the Middle East	44,023	37,595	48,305	6,428	(10,710)	17.1 %	(22.2)%
Europe and Russia	8,826	11,157	16,933	(2,331)	(5,776)	(20.9)%	(34.1)%
Latin America and Asia Pacific	38,991	38,181	45,736	810	(7,555)	2.1 %	(16.5)%
Total Revenue	\$ 274,911	\$ 238,642	\$ 243,858	\$ 36,269	\$ (5,216)	15.2 %	(2.1)%

Our revenue from North America increased by \$31.4 million, or 20.7%, in fiscal 2021 compared with fiscal 2020. The increase in North America revenue during fiscal 2021 was due to revenue growth with private network customers, as well as increased sales to mobile operators. Revenue from North America increased \$18.8 million, or 14.2%, in fiscal 2020 compared with fiscal 2019. The increase in North America revenue during fiscal 2020 was due to stronger order flow from private network customers, as well as increased sales to mobile operators.

Our revenue from Africa and the Middle East increased by \$6.4 million, or 17.1%, in fiscal 2021 compared with fiscal 2020. The increase in revenue was primarily due to increased sales to mobile operators in the region. Revenue from Africa and the Middle East decreased \$10.7 million, or 22.2%, in fiscal 2020 compared with fiscal 2019. The decrease in revenue was primarily due to decreased sales to our mobile operator customers in the region.

Revenue from Europe and Russia decreased by \$2.3 million, or 20.9%, in fiscal 2021 compared with fiscal 2020. The decrease in revenue was due to lower sales to mobile operator customers. Revenue in Europe and Russia decreased \$5.8 million, or 34.1%, in fiscal 2020 compared with fiscal 2019. The decrease was due to lower sales to mobile operator customers.

Revenue in Latin America and Asia Pacific increased by \$0.8 million, or 2.1%, in fiscal 2021 compared with fiscal 2020. The increase in revenue was primarily due to higher sales to mobile operator customers in Asia Pacific offset in part by decreased revenue in Latin America. Revenue from Latin America and Asia-Pacific decreased \$7.6 million, or 16.5%, in fiscal 2020 compared with fiscal 2019. The decrease was primarily due to lower sales volume from certain mobile operator customers in Asia Pacific offset in part by increased revenue in Latin America.

(In thousands, except percentages)	Fiscal Year			\$ Change		% Change	
	2021	2020	2019	2021/2020	2020/2019	2021/2020	2020/2019
Product sales	\$ 185,787	\$ 153,793	\$ 156,724	\$ 31,994	\$ (2,931)	20.8 %	(1.9)%
Services	89,124	84,849	87,134	4,275	(2,285)	5.0 %	(2.6)%
Total Revenue	\$ 274,911	\$ 238,642	\$ 243,858	\$ 36,269	\$ (5,216)	15.2 %	(2.1)%

Our revenue from product sales increased by \$32.0 million, or 20.8%, in fiscal 2021 compared with fiscal 2020. Product volume increased with customers in North America and Middle East Africa, offset in part by small declines in the other international markets. Our services revenue increased by \$4.3 million, or 5.0%, in fiscal 2021 compared with fiscal 2020 from increased sales in North America.

Our revenue from product sales decreased \$2.9 million, or 1.9%, in fiscal 2020 compared with fiscal 2019. Product volume decreased with customers in international markets and was offset in part by increased product sales in North America. Our services revenue decreased by \$2.3 million, or 2.6%, in fiscal 2020 compared with fiscal 2019. Decreased sales in international markets were offset in part by increased sales in North America.

Gross Margin

(In thousands, except percentages)	Fiscal Year			\$ Change		% Change	
	2021	2020	2019	2021/2020	2020/2019	2021/2020	2020/2019
Revenue	\$ 274,911	\$ 238,642	\$243,858	\$ 36,269	\$ (5,216)	15.2 %	(2.1)%
Cost of revenue	172,296	153,946	164,588	18,350	(10,642)	11.9 %	(6.5)%
Gross margin	\$ 102,615	\$ 84,696	\$ 79,270	\$ 17,919	\$ 5,426	21.2 %	6.8 %
% of revenue	37.3 %	35.5 %	32.5 %				
Product margin %	39.1 %	38.0 %	33.9 %				
Service margin %	33.5 %	30.9 %	29.9 %				

Gross margin for fiscal 2021 increased by \$17.9 million, or 21.2%, compared with fiscal 2020. Gross margin as a percentage of revenue for fiscal 2021 increased to 37.3%, compared with 35.5% in fiscal 2020, primarily due to higher volume of Private Network business, increased sales through Aviat Store which serves primarily the Rural Broadband, and wins with our multiband products and software sales.

Gross margin for fiscal 2020 increased \$5.4 million, or 6.8%, compared with fiscal 2019. Gross margin as a percentage of revenue for fiscal 2020 increased to 35.5%, compared with 32.5% in fiscal 2019, primarily due to higher margin rates for product sales and implementation of cost savings initiatives. The increased volume of product sales in North America, which generally has a higher gross margin compared to international, contributed most of the overall gross margin improvement in fiscal 2020.

Research and Development Expenses

(In thousands, except percentages)	Fiscal Year			\$ Change		% Change	
	2021	2020	2019	2021/2020	2020/2019	2021/2020	2020/2019
Research and development expenses	\$ 21,810	\$ 19,284	\$ 21,111	\$ 2,526	\$ (1,827)	13.1 %	(8.7)%
% of revenue	7.9 %	8.1 %	8.7 %				

Our research and development (“R&D”) expenses increased by \$2.5 million, or 13.1%, in fiscal 2021 compared with fiscal 2020. The increase was due to additional investments to support new product offerings.

Our R&D expenses decreased \$1.8 million, or 8.7%, in fiscal 2020 compared with fiscal 2019. The decrease was primarily due to consolidation of product development, lower variable compensation and costs reduction initiatives associated with COVID-19, offset in part by expenses associated with one extra week in our fiscal 2020 calendar.

Selling and Administrative Expenses

(In thousands, except percentages)	Fiscal Year			\$ Change		% Change	
	2021	2020	2019	2021/2020	2020/2019	2021/2020	2020/2019
Selling and administrative expenses	\$ 56,324	\$ 57,985	\$ 56,055	\$ (1,661)	\$ 1,930	(2.9)%	3.4 %
% of revenue	20.5 %	24.3 %	23.0 %				

Our selling and administrative expenses decreased by \$1.7 million, or 2.9%, in fiscal 2021 compared with fiscal 2020. The decrease was primarily due to lower travel expenses and restructuring savings offset in part by higher sales-related expenses.

Our selling and administrative expenses increased \$1.9 million, or 3.4%, in fiscal 2020 compared with fiscal 2019. The increase was primarily due to higher variable compensation and expenses associated with one extra week in our fiscal 2020 calendar, partially offset by cost reductions initiatives associated with COVID-19.

Restructuring Charges

During the third and fourth quarters of fiscal 2021, our Board of Directors approved restructuring plans (the “Fiscal 2021 Plan”) to continue to reduce our operating costs and improve profitability. We recorded restructuring charges of \$2.4 million related to the Fiscal 2021 Plan in fiscal 2021. Payments related to the accrued restructuring balances for this plan are expected to be fully paid in fiscal 2022.

During the fourth quarter of fiscal 2020, our Board of Directors approved a restructuring plan (the “Q4 2020 Plan”) in order to continue to reduce our operating costs and improve profitability to optimize our business model and increase efficiencies. We recorded restructuring charges of \$1.9 million related to the Q4 2020 Plan in fiscal 2020. Payments related to the accrued restructuring liability balance for this plan are expected to be fully paid in fiscal 2022.

During the third quarter of fiscal 2020, our Board of Directors approved a restructuring plan (the “Q3 2020 Plan”) in order to reduce our operating costs and improve profitability to optimize our business model and increase efficiencies. We recorded restructuring charges of \$0.6 million related to the Q3 2020 Plan in fiscal 2020. Payments related to the accrued restructuring liability balance for this plan were fully paid in fiscal 2021.

During the fourth quarter of fiscal 2019, our Board of Directors approved a restructuring plan (the “Fiscal 2020 Plan”) to primarily consolidate product development, right size our resources to support our International business and other support functions. Payments related to the accrued restructuring liability balance for this plan were fully paid in fiscal 2021.

During the fourth quarter of fiscal 2018, our Board of Directors approved a restructuring plan (the “Fiscal 2018-2019 Plan”) to consolidate back-office support functions and align resources by geography to lower our expense structure. We completed the restructuring activities under the Fiscal 2018-2019 Plan at the end of fiscal 2019. Payments related to the accrued restructuring liability balance for this plan were fully paid in fiscal 2021.

Our restructuring charges by plan for fiscal 2021, 2020 and 2019 are summarized in the table below:

(In thousands, except percentages)	Fiscal Year			\$ Change		% Change	
	2021	2020	2019	2021/2020	2020/2019	2021/2020	2020/2019
Fiscal 2021 Plan	\$ 2,414	\$ —	\$ —	\$ 2,414	\$ —	N/A	N/A
Q4 2020 Plan	92	1,879	—	(1,787)	1,879	(95.1)%	N/A
Prior Years' Plan	(235)	2,170	736	(2,405)	1,434	(110.8)%	194.8 %
Restructuring charges	<u>\$ 2,271</u>	<u>\$ 4,049</u>	<u>\$ 736</u>	<u>\$ (1,778)</u>	<u>\$ 3,313</u>	<u>(43.9)%</u>	<u>450.1 %</u>

Restructuring charges for fiscal 2021 included employee severance and benefits of \$2.4 million the Fiscal 2021 Plan and a reduction in the previously estimated accrual of \$0.2 million in Prior Years' Plan. Restructuring charges for fiscal 2020 included employee severance and benefits costs of \$1.9 million for the Q4 2020 Plan, \$2.2 million for the Prior Years' Plan. Restructuring charges for fiscal 2019 included \$0.7 million of employee severance and benefits costs related to the Prior Years' Plan.

Interest Income, Interest Expense and Other Income (Expense), Net

(In thousands, except percentages)	Fiscal Year			\$ Change		% Change	
	2021	2020	2019	2021/2020	2020/2019	2021/2020	2020/2019
Interest income	\$ 230	\$ 385	\$ 267	\$ (155)	\$ 118	(40)%	44 %
Interest expense	—	(54)	(102)	54	48	(100)%	(47)%
Other income, net	—	—	17	—	(17)	N/A	N/A

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

Interest expense was primarily related to interest associated with borrowings under our Silicon Valley Bank (“SVB”) credit facility and discounts on customer letters of credit.

Income Taxes

(In thousands, except percentages)	Fiscal Year			\$ Change	
	2021	2020	2019	2021/2020	2020/2019
Income before income taxes	\$ 22,440	\$ 3,709	\$ 1,550	\$ 18,731	\$ 2,159
(Benefit from) provision for income taxes	(87,699)	3,452	(8,188)	(91,151)	11,640
As % of income before income taxes	(390.8)%	93.1 %	(528.3)%		

Our (benefit from) provision for income taxes was \$87.7 million of benefit for fiscal 2021, \$3.5 million of expense for fiscal 2020 and \$8.2 million of benefit for fiscal 2019. Our tax benefit for fiscal 2021 was primarily due to the release of \$92.2 million in valuation allowance on our U.S. federal and state deferred tax assets, offset by tax expenses related to profitable foreign subsidiaries and an increase in our reserve for uncertain tax positions.

Our tax expense for fiscal 2020 was primarily due to tax expense related to profitable foreign subsidiaries and an increase in our reserve for uncertain tax positions.

Liquidity, Capital Resources and Financial Strategies

As of July 2, 2021, our cash and cash equivalents and short-term investments totaled \$47.9 million. Approximately \$27.9 million, or 58.2%, was held in the United States. The remaining balance of \$20.0 million, or 41.8%, was held by entities outside the United States. Of the amount of cash and cash equivalents held by our foreign subsidiaries at July 2, 2021, \$18.8 million was held in jurisdictions where our undistributed earnings are indefinitely reinvested, and if repatriated, would be subject to foreign withholding taxes.

Operating Activities

Cash provided by operating activities is presented as net income adjusted for certain non-cash items and changes in assets and liabilities. Net cash provided by operating activities was \$17.3 million for fiscal 2021, \$17.5 million for fiscal 2020 and \$2.9 million for fiscal 2019.

For fiscal 2021 compared to fiscal 2020, cash provided by operating activities decreased by \$0.2 million. The net contribution of non-cash items to cash provided by operating activities decreased by \$92.3 million and the net contribution of changes in operating assets and liabilities to cash provided by operating activities decreased by \$17.7 million in fiscal 2021 as compared to fiscal 2020.

The \$92.3 million decrease in the net contribution of non-cash items to cash provided by operating activities was primarily attributable to a \$90.4 million net change in deferred tax assets.

Net changes in operating assets and liabilities resulted in a decrease of \$17.7 million to cash used by operating activities for fiscal 2021 compared to fiscal 2020. Accounts receivable and unbilled costs fluctuate from period to period, depending on the amount and timing of sales and billing activities and cash collections. The fluctuations in accounts payable and accrued expenses during fiscal 2021 were primarily due to the timing of liabilities incurred and vendor payments. The change in inventories and in customer service inventories during fiscal 2021 were primarily driven by forecasted demand and to secure component parts in shortage. The increase in customer advance payments and unearned revenue during fiscal 2021 was due to the timing of payment from customers and revenue recognition. We used \$2.3 million in cash during fiscal 2021 on expenses related to restructuring liabilities.

For fiscal 2020 compared to fiscal 2019, cash provided by operating activities increased by \$14.5 million. The net contribution of non-cash items to cash provided by operating activities increased by \$9.3 million and the net changes in operating assets and liabilities to cash provided by operating activities increased by \$10.3 million in fiscal 2020 as compared to fiscal 2019.

The \$9.3 million increase in the net contribution of non-cash items to cash provided by operating activities was primarily attributable to a \$8.6 million net change in deferred tax assets.

Investing Activities

Net cash used in investing activities was \$2.8 million for fiscal year 2021, \$4.6 million for fiscal 2020 and \$5.2 million for fiscal 2019, which consisted of capital expenditures.

For fiscal 2022, we expect to spend between \$5.0 million to \$6.0 million for capital expenditures, primarily on equipment for development and manufacturing of new products and IT infrastructure.

Financing Activities

Financing cash flows consist primarily of proceeds and repayments of short-term debt, repurchase of stock and proceeds from the sale of shares of common stock through employee equity plans. Net cash used in financing activities was \$8.0 million for fiscal year 2021, which was attributable to \$9.0 million for the repayment of borrowings, \$0.8 million for repurchase of common stock, \$0.2 million payments for taxes related to net settlement of equity awards, offset by \$1.9 million proceeds from the issuance of common stock from employee stock plans. Net cash used by financing activities was \$2.5 million for fiscal 2020 and \$3.0 million for fiscal 2019.

As of July 2, 2021, our principal sources of liquidity consisted of the \$47.9 million in cash and cash equivalents, \$22.7 million of available credit under our \$25.0 million credit facility with Silicon Valley Bank (“SVB Credit Facility”) which matures on June 28, 2024, and future collections of receivables from customers. We regularly require letters of credit from certain 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.

On May 17, 2021 we entered into Amendment No. 4 to Third Amended and Restated Loan and Security Agreement, which extended the expiration date to June 28, 2024. While we intend to continue to renew the SVB Credit Facility in the future, there can be no assurance that the SVB Credit Facility will be renewed. In addition, there can be no assurance 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. 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.

On April 13, 2021, we filed a registration statement on Form S-3 with the SEC using a “shelf” registration process. If and when we utilize the shelf registration, we will be able to, from time to time, offer and sell, either individually or in combination, in one or more offerings, up to a total dollar amount of \$200 million of any combination of the securities described in the shelf registration statement. Each time we offer securities under this shelf registration, we will provide a prospectus supplement that will contain more specific information about the terms of that offering.

We believe that our existing cash and cash equivalents, the available line of credit under the SVB Credit Facility 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.

Available Credit Facility, Borrowings and Repayment of Debt

On May 17, 2021, we entered into Amendment No. 4 to Third Amended and Restated Loan and Security Agreement to extend the maturity date to June 28, 2024. The SVB Credit Facility provides for a \$25.0 million accounts receivable formula-based revolving credit facility that can be borrowed by the U.S. company, with a \$25.0 million sub-limit that can be borrowed by our U.S. and Singapore entities. Loans may be advanced under the SVB Credit Facility based on a borrowing base equal to a specified percentage of the value of eligible accounts of all borrowers under the SVB Credit Facility. The borrowing base is subject to certain eligibility criteria. Availability under the accounts

receivable formula-based revolving credit facility can also be utilized to issue letters of credit with a \$12.0 million sub-limit. We may prepay loans under the SVB Credit Facility in whole or in part at any time without premium or penalty. As of July 2, 2021, available credit under the SVB Credit Facility was \$22.7 million reflecting the calculated borrowing base of \$25.0 million less outstanding letters of credit of \$2.3 million. We did not borrow against the SVB Credit Facility during fiscal 2021 and there was no borrowing outstanding as of July 2, 2021.

The SVB Credit Facility carries an interest rate, at our option, computed (i) at the prime rate reported in the Wall Street Journal plus a spread of 0.50% to 1.50%, with such spread determined based on our adjusted quick ratio; or (ii) if we satisfy a minimum adjusted quick ratio, a LIBOR rate determined in accordance with the SVB Credit Facility, plus a spread of 2.75%. Any outstanding Singapore subsidiary-borrowed loans shall bear interest at an additional 2.00% above the applicable prime or LIBOR rate.

The SVB Credit Facility contains monthly and quarterly financial covenants for minimum adjusted quick ratio and minimum profitability (EBITDA) requirements, respectively. 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, enter into a transaction resulting in 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 5.00% above the applicable interest rate.

As of July 2, 2021, we were in compliance with the quarterly financial covenants, as amended, contained in the SVB Credit Facility.

Due to the current economic uncertainty stemming from the impact of the COVID-19 pandemic, on April 21, 2020, we entered into a Paycheck Protection Program Note (the "Note") with Silicon Valley Bank as the lender ("Lender") in an aggregate principal amount of \$5.9 million pursuant to the Paycheck Protection Program under the CARES Act (the "PPP Loan"). On April 22, 2020, we received proceeds of \$5.9 million from the PPP Loan. At the time when we applied for the PPP Loan, we had qualified to receive the funds pursuant to the then-published qualification requirements. On April 23, 2020, the SBA, in consultation with the Department of Treasury, issued new guidance regarding qualification requirements for public companies. Based on our assessment of the new guidance, on May 5, 2020, we repaid the principal and interest on the PPP Loan.

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 July 2, 2021. 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 July 2, 2021. This facility may be terminated upon notice, is reviewed annually for renewal or modification, and is supported by a corporate guarantee.

Restructuring Payments

We had liabilities for restructuring activities totaling \$2.7 million as of July 2, 2021, which 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 July 2, 2021:

(In thousands)	Obligations Due by Fiscal Year					
	Total	< 1 year	1 - 3 years	3 - 5 years	> 5 years	Other
Purchase obligations ⁽¹⁾⁽⁴⁾	31,411	17,201	13,515	695	—	—
Other purchase obligations ⁽³⁾⁽⁴⁾	2,456	1,529	927	—	—	—
Operating lease commitments ⁽⁵⁾	5,172	973	1,315	1,174	1,710	—
Reserve for uncertain tax positions ⁽²⁾	5,164	—	—	—	—	5,164
Total contractual cash obligations	\$ 44,203	\$ 19,703	\$ 15,757	\$ 1,869	\$ 1,710	\$ 5,164

- (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 \$5.2 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 as a service and software maintenance support.
- (4) These items are not recorded on our consolidated balance sheets.
- (5) Includes operating leases with terms less than 1 year that 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 July 2, 2021, we had commercial commitments on outstanding surety bonds and standby letters of credit as follows:

(In thousands)	Expiration of Commitments by Fiscal Year				
	Total	2022	2023	2024	After 2024
Standby letters of credit used for:					
Bids	\$ 787	\$ 787	\$ —	\$ —	\$ —
Payment guarantees	3,238	2,190	—	—	1,048
Performance	34,697	33,584	1,113	—	—
	<u>38,825</u>	<u>36,629</u>	<u>1,113</u>	<u>35</u>	<u>1,048</u>
Surety bonds used for:					
Performance	530,497	524,726	5,771	—	—
Payment guarantees	3,642	3,542	100	—	—
Tax bonds	10,315	6,771	—	3,544	—
	<u>544,454</u>	<u>535,039</u>	<u>5,871</u>	<u>3,544</u>	<u>—</u>
Total commercial commitments	\$ 583,279	\$ 571,668	\$ 6,984	\$ 3,579	\$ 1,048

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, arising out of a material variable interest held by us in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to us, or engages in leasing, hedging or research and development services with us.

Currently we are not participating in transactions that generate relationships with unconsolidated entities or financial partnerships, including variable interest entities, and we do not have any material retained or contingent interest in assets as defined above. As of July 2, 2021, 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.

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 also enter into foreign exchange forward contracts to mitigate the change in fair value of specific non-functional currency assets and liabilities on the consolidated 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.

As of July 2, 2021, we had no foreign currency forward contracts outstanding.

Net foreign exchange gain (loss) recorded in our consolidated statements of operations during fiscal 2021, 2020 and 2019 was as follows:

(In thousands)	Fiscal Year		
	2021	2020	2019
Amount included in costs of revenues	\$ 1,015	\$ 419	\$ (664)
Total foreign exchange gain (loss), net	\$ 1,015	\$ 419	\$ (664)

A 10% adverse change in currency exchange rates for our foreign currency derivatives held as of July 2, 2021 would have an no impact as we held no foreign currency derivatives as of July 2, 2021.

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 July 2, 2021 and July 3, 2020, the cumulative translation adjustment decreased our stockholders' equity by \$14.3 million and \$15.0 million, respectively.

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 \$47.9 million in total cash and cash equivalents and short-term investments as of July 2, 2021. Cash equivalents and short-term investments totaled \$30.1 million as of July 2, 2021 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 consolidated 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 July 2, 2021, had weighted-average days to maturity of 28 days, and an average yield of 3.39% 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 2021, we had no demand borrowings outstanding under our credit facility. The interest would have been 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 2021, our weighted average interest rate would have been 3.75%.

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 for estimated costs to complete overtime services;
- inventory valuation and provision for excess and obsolete inventory losses; 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

Effective June 30, 2018, we adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 606, using the modified retrospective method applied to those contracts that were not completed as of June 29, 2018. Results for the reporting periods after June 29, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historical accounting under ASC 605.

Under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 606, we recognize revenue by applying the following five-step approach: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when, or as, we satisfy a performance obligation.

Revenue from services includes certain network planning and design, engineering, installation and commissioning, extended warranty, customer support, consulting, training, and education. Maintenance and support services are generally offered to our customers and recognized over a specified period of time and from sales and subsequent renewals of maintenance and support contracts. The network planning and design, engineering and installation related services noted are recognized based on an over-time recognition model using the cost-input method. Certain judgment is required when estimating total contract costs and progress to completion on the over-time arrangements, as well as whether a loss is expected to be incurred on the contract. The cost estimation process for these contracts is based on the knowledge and experience of the Company’s project managers, engineers, and financial professionals. Changes in job performance and job conditions are factors that influence estimates of the total costs to complete those contracts and the Company’s revenue recognition. If circumstances arise that change the original estimates of revenues, costs, or extent of progress toward completion, revisions to the estimates are made in a timely manner. 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 to us. We perform ongoing profitability analysis of our service contracts accounted for under this method in order to determine whether the latest estimates of revenues, costs, and profits require updating. In rare circumstances if these estimates indicate that the contract will be unprofitable, the entire estimated loss for the remainder of the contract is recorded immediately.

Inventory Valuation and Provisions for Excess and Obsolete Losses

Our inventories have been valued at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. 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 statements 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 and net realizable value. 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.

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. Certain 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 consolidated 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.

Realization of deferred tax assets is dependent upon future earnings in applicable tax jurisdictions. At each reporting date, management considers new evidence, both positive and negative, that could affect its view of the future realization of deferred tax assets on a more likely than not basis. During fiscal 2021, we recorded a valuation allowance release of \$92.2 million as a discrete item based on management's reassessment of the amount of its U.S. federal and state deferred tax assets that are more likely than not to be realized, primarily as a result of increases in U.S. profitability in the current period and expectations of continued profitability in future periods. In performing our analysis, we used the most updated plans and estimates that we currently use to manage the underlying business and calculated the utilization of our deferred tax assets. We continue to maintain a valuation allowance of \$1.4 million on certain U.S. federal and state deferred tax assets that we believe is not more likely than not to be realized in future periods.

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

Stockholders and Board of Directors
Aviat Networks, Inc.
Austin, Texas

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Aviat Networks, Inc. (the “Company”) as of July 2, 2021 and July 3, 2020, the related consolidated statements of operations, comprehensive (loss) income, equity, and cash flows for each of the three fiscal years in the period ended July 2, 2021, the related notes and the financial statement schedule - Valuation and Qualifying Accounts (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at July 2, 2021 and July 3, 2020, and the results of its operations and its cash flows for each of the three fiscal years in the period ended July 2, 2021, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company's internal control over financial reporting as of July 2, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated August 25, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition – Estimated Costs to Complete

As described in Note 3 to the consolidated financial statements, revenues from network planning and design, engineering and installation-related services are recognized based on an overtime recognition model using the cost-input method. The cost estimation process for these contracts is based on the knowledge and experience of the Company’s project managers, engineers, and financial professionals. Changes in job performance and job conditions are factors that influence estimates of the total costs to complete those contracts and the Company’s revenue recognition.

We identified estimated costs to complete for open and ongoing over-time revenue contracts at year end as a critical audit matter. The determination of the total estimated cost and progress toward completion requires management to make significant estimates and assumptions. Changes in these estimates or timing of when the costs occur can have a significant impact on the revenue recognized each period. Auditing these elements involved especially challenging and subjective auditor judgment in evaluating the reasonableness of management's assumptions and estimates over the duration of these contracts.

The primary procedures we performed to address this critical audit matter included:

- a. Testing the design and operating effectiveness of certain controls related to estimated costs to complete, including controls over management's review of cost estimates.
- b. Evaluating the reasonableness of a sample of project budgets for projects completed during the year through a retrospective review against actual performance at project completion.
- c. Assessing the reasonableness of the estimated costs to complete for a sample of open projects through: (i) evaluating the reasonableness of project budgets and the nature of costs required to complete open projects, (ii) assessing the status of completion of respective projects through testing of a sample of project costs incurred to date, (iii) evaluating the reasonableness of project status by performing inquiries of project managers and assessing the nature of activities required to complete open projects, and (iv) performing retrospective review on closed projects and investigating budget to actual variances (if any).
- d. Assessing the reasonableness of changes in estimated costs to complete and investigating reasons for changes in expected costs and project margins.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2015.

San Jose, California
August 25, 2021

Report of Independent Registered Public Accounting Firm

Stockholders and Board of Directors
Aviat Networks, Inc.
Austin, Texas

Opinion on Internal Control over Financial Reporting

We have audited Aviat Networks, Inc.'s (the "Company's") internal control over financial reporting as of July 2, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of August 25, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of July 2, 2021 and July 3, 2020, the related consolidated statements of operations, comprehensive (loss) income, equity, and cash flows for each of the three fiscal years in the period ended July 2, 2021, the related notes and the financial statement schedule - Valuation and Qualifying Accounts and our report dated August 25, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ BDO USA, LLP
San Jose, California
August 25, 2021

AVIAT NETWORKS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended		
	July 2, 2021	July 3, 2020	June 28, 2019
(In thousands, except per share amounts)			
Revenues:			
Revenue from product sales	\$ 185,787	\$ 153,793	\$ 156,724
Revenue from services	89,124	84,849	87,134
Total revenues	<u>274,911</u>	<u>238,642</u>	<u>243,858</u>
Cost of revenues:			
Cost of product sales	113,055	95,321	103,517
Cost of services	59,241	58,625	61,071
Total cost of revenues	<u>172,296</u>	<u>153,946</u>	<u>164,588</u>
Gross margin	<u>102,615</u>	<u>84,696</u>	<u>79,270</u>
Operating expenses:			
Research and development expenses	21,810	19,284	21,111
Selling and administrative expenses	56,324	57,985	56,055
Restructuring charges	2,271	4,049	736
Total operating expenses	<u>80,405</u>	<u>81,318</u>	<u>77,902</u>
Operating income	<u>22,210</u>	<u>3,378</u>	<u>1,368</u>
Interest income	230	385	267
Interest expense	—	(54)	(102)
Other income (expense), net	—	—	17
Income before income taxes	<u>22,440</u>	<u>3,709</u>	<u>1,550</u>
(Benefit from) provision for income taxes	(87,699)	3,452	(8,188)
Net income	<u>\$ 110,139</u>	<u>\$ 257</u>	<u>\$ 9,738</u>
Net income per share:			
Basic	\$ 9.98	\$ 0.02	\$ 0.91
Diluted	\$ 9.42	\$ 0.02	\$ 0.87
Weighted average shares outstanding:			
Basic	11,036	10,782	10,754
Diluted	11,688	10,936	11,236

See accompanying Notes to Consolidated Financial Statements

AVIAT NETWORKS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)	Fiscal Year Ended		
	July 2, 2021	July 3, 2020	June 28, 2019
Net income	\$ 110,139	\$ 257	\$ 9,738
Other comprehensive income (loss):			
Net change in cumulative translation adjustment, net of tax	642	(2,233)	(131)
Other comprehensive income (loss)	642	(2,233)	(131)
Comprehensive income (loss)	\$ 110,781	\$ (1,976)	\$ 9,607

See accompanying Notes to Consolidated Financial Statements

AVIAT NETWORKS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and par value amounts)

	<u>July 2, 2021</u>	<u>July 3, 2020</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 47,942	\$ 41,618
Accounts receivable, net	48,135	44,661
Unbilled receivables	37,521	28,085
Inventories	23,436	13,997
Customer service inventories	1,431	1,234
Asset held for sale	2,218	—
Other current assets	9,556	10,355
Total current assets	170,239	139,950
Property, plant and equipment, net	11,701	16,911
Deferred income taxes	103,467	12,799
Right of use assets	3,816	3,474
Other assets	8,430	6,667
TOTAL ASSETS	<u>\$ 297,653</u>	<u>\$ 179,801</u>
LIABILITIES AND EQUITY		
Current Liabilities:		
Short-term debt	\$ —	\$ 9,000
Accounts payable	32,405	31,995
Accrued expenses	28,154	26,920
Short-term lease liabilities	769	1,445
Advance payments and unearned revenue	32,304	21,872
Restructuring liabilities	2,737	2,738
Total current liabilities	96,369	93,970
Unearned revenue	8,592	8,142
Long-term lease liabilities	3,223	2,303
Other long-term liabilities	356	401
Reserve for uncertain tax positions	5,164	5,759
Deferred income taxes	614	545
Total liabilities	114,318	111,120
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; 11,153,445 and 10,800,974 shares issued and outstanding as of July 2, 2021 and July 3, 2020, respectively	112	108
Treasury stock 19,587 and 0 shares as of July 2, 2021 and July 3, 2020, respectively	(787)	—
Additional paid-in-capital	818,939	814,283
Accumulated deficit	(620,602)	(730,741)
Accumulated other comprehensive loss	(14,327)	(14,969)
Total equity	183,335	68,681
TOTAL LIABILITIES AND EQUITY	<u>\$ 297,653</u>	<u>\$ 179,801</u>

See accompanying Notes to Consolidated Financial Statements

AVIAT NETWORKS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Fiscal Year Ended		
	July 2, 2021	July 3, 2020	June 28, 2019
Operating Activities			
Net income	\$ 110,139	\$ 257	\$ 9,738
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property, plant and equipment	5,383	4,387	4,468
Provision for (recovery from) uncollectible receivables	171	23	(359)
Share-based compensation	2,921	1,686	1,723
Deferred tax assets, net	(90,599)	(172)	(8,760)
Charges for inventory and customer service inventory write-downs	1,452	945	553
Loss on disposition of property, plant and equipment, net	6	56	4
Noncash lease expense	(342)	4,416	—
Changes in operating assets and liabilities:			
Accounts receivable	(4,232)	7,043	(6,395)
Unbilled receivables	(8,579)	(304)	(4,976)
Inventories	(9,987)	(5,651)	1,228
Customer service inventories	(1,104)	(1,023)	(357)
Accounts payable	580	(3,122)	5,074
Accrued expenses	1,767	4,285	(2,585)
Advance payments and unearned revenue	10,560	6,304	4,170
Income taxes payable or receivable	159	1,978	338
Other assets and liabilities	(997)	(3,615)	(920)
Net cash provided by operating activities	17,298	17,493	2,944
Investing Activities			
Payments for acquisition of property, plant and equipment	(2,847)	(4,608)	(5,246)
Net cash used in investing activities	(2,847)	(4,608)	(5,246)
Financing Activities			
Proceeds from borrowings	—	41,911	36,000
Repayments of borrowings	(9,000)	(41,911)	(36,000)
Payments for repurchase of common stock	—	(1,772)	(2,316)
Payments for repurchase of common stock - treasury shares	(787)	—	—
Payments for taxes related to net settlement of equity awards	(167)	(802)	(671)
Proceeds from issuance of common stock under employee stock plans and exercises of stock options	1,906	29	35
Net cash used in financing activities	(8,048)	(2,545)	(2,952)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(77)	(669)	(309)
Net increase (decrease) in cash, cash equivalents, and restricted cash	6,326	9,671	(5,563)
Cash, cash equivalents, and restricted cash, beginning of year	41,872	32,201	37,764
Cash, cash equivalents, and restricted cash, end of year	\$ 48,198	\$ 41,872	\$ 32,201

(In thousands)	Fiscal Year Ended		
	July 2, 2021	July 3, 2020	June 28, 2019
Non-cash investing activities:			
Unpaid property, plant and equipment	\$ 228	\$ 277	\$ 578
Supplemental disclosures of cash flow information:			
Cash paid for interest	\$ 4	\$ 60	\$ 70
Cash (received) paid for income taxes, net	\$ (2,119)	\$ 1,057	\$ 687

See accompanying Notes to Consolidated Financial Statements

AVIAT NETWORKS, INC.

CONSOLIDATED STATEMENTS OF EQUITY

(In thousands, except share amounts)	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	\$ Amount	Shares	\$ Amount				
Balance as of June 29, 2018	10,702,310	\$ 108	—	\$ —	\$ 816,372	\$ (746,359)	\$ (12,605)	\$ 57,516
Cumulative-effect adjustment for ASC Topic 606	—	—	—	—	—	5,623	—	5,623
Net income	—	—	—	—	—	9,738	—	9,738
Other comprehensive (loss) income, net of tax	—	—	—	—	—	—	(131)	(131)
Issuance of common stock under employee stock plans	345,406	4	—	—	31	—	—	35
Shares withheld for taxes related to vesting of equity awards	(15,788)	(2)	—	—	(670)	—	—	(672)
Stock repurchase	(312,538)	(2)	—	—	(2,314)	—	—	(2,316)
Share-based compensation	—	—	—	—	1,723	—	—	1,723
Balance as of June 28, 2019	10,719,390	108	—	—	815,142	(730,998)	(12,736)	71,516
Net income	—	—	—	—	—	257	—	257
Other comprehensive (loss) income, net of tax	—	—	—	—	—	—	(2,233)	(2,233)
Issuance of common stock under employee stock plans	450,112	4	—	—	25	—	—	29
Shares withheld for taxes related to vesting of equity awards	(112,482)	(2)	—	—	(800)	—	—	(802)
Stock repurchase	(256,046)	(2)	—	—	(1,770)	—	—	(1,772)
Share-based compensation	—	—	—	—	1,686	—	—	1,686
Balance as of July 3, 2020	10,800,974	108	—	—	814,283	(730,741)	(14,969)	68,681
Net income	—	—	—	—	—	110,139	—	110,139
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	642	642
Issuance of common stock under employee stock plans	393,724	4	—	—	1,902	—	—	1,906
Shares withheld for taxes related to vesting of equity awards	(13,366)	—	—	—	(167)	—	—	(167)
Stock repurchase	(27,887)	—	19,587	(787)	—	—	—	(787)
Share-based compensation	—	—	—	—	2,921	—	—	2,921
Balance as of July 2, 2021	11,153,445	\$ 112	19,587	\$ (787)	\$ 818,939	\$ (620,602)	\$ (14,327)	\$ 183,335

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.

Our fiscal year ends on the Friday nearest June 30. This was July 2, for fiscal 2021, July 3, for fiscal 2020 and June 28, for fiscal 2019. Fiscal 2021 presented 52 weeks while fiscal 2020 included 53 weeks and fiscal 2019 included 52 weeks. In these notes to consolidated financial statements, we refer to our fiscal years as "fiscal 2021", "fiscal 2020" and "fiscal 2019."

Stock Split

On April 7, 2021 we effected a two-for-one stock split in the form of a stock dividend to shareholders of record as of April 1, 2021. Common stock, Additional paid-in-capital, per share and equity award amounts for all periods presented have been retrospectively reclassified to reflect the two-for-one stock split in the form of a stock dividend.

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 and uncertainties in income taxes.

Cash, Cash Equivalents and Restricted Cash

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 are accounted for as short-term investments and are classified as such at the time of purchase.

We hold cash and cash equivalents at several major financial institutions, which often significantly exceed Federal Deposit Insurance Corporation insured limits. However, a substantial portion of the cash equivalents is invested in prime money market funds which are backed by the securities in the fund.

As of July 2, 2021 and July 3, 2020, all of our high-quality marketable debt securities were invested in prime money market funds.

Cash and cash equivalents that are restricted as to withdrawal or usage under the terms of contractual agreements are recorded as restricted cash. Our long-term restricted cash included the 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 on our consolidated balance sheets and the corresponding liabilities were included in other long-term liabilities on 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 certain 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 2021 and 2020 there were no customers that accounted for more than 10% of our total revenue. During fiscal 2019, Mobile Telephone Networks Group (“MTN Group”) in Africa accounted for 11% of our total revenue. As of July 2, 2021 and July 3, 2020, MTN Group accounted for approximately 14% and 21%, respectively, of our accounts receivable.

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. Risks associated with cash and cash equivalents, and investments are mitigated by banking with, and investing in, creditworthy institutions.

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. 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 and net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. 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 net realizable 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 and net realizable value. 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 the 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.

Leases

On June 29, 2019, the first day of our fiscal 2020, we adopted ASC 842 using the modified retrospective transition method, which requires a cumulative-effect adjustment, if any, to the opening balance of accumulated deficit to be recognized on the date of adoption with prior periods not restated.

We lease facilities under non-cancelable operating lease agreements. These leases have varying terms that range from one to 20 years and contain leasehold improvement incentives, rent holidays and escalation clauses. In addition, some of these leases have renewal options for up to 3 years.

We determine if an arrangement contains a lease at inception. These operating leases are included in Right of use assets (ROU assets) on our July 2, 2021 consolidated balance sheets and represent our right to use the underlying asset for the lease term. Our obligation to make lease payments are included in "Short-term lease liabilities" and "Long-term lease liabilities" on our July 2, 2021 consolidated balance sheets. We have not entered into any financing leases during fiscal 2021.

Operating lease ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of our leases do not provide an implicit rate, we used the incremental borrowing rate based on the remaining lease term at commencement date in determining the present value of future payments. The operating lease ROU assets also include any lease payments made and exclude lease incentives and initial direct costs incurred. Variable lease payments are expensed as incurred and are not included within the ROU asset and lease liability calculation. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Certain of our lease arrangements include non-lease components and we account for non-lease components together with lease components for all such lease arrangements.

Leases with an initial term of 12 months or less are not recorded on our consolidated balance sheets. We recognize lease expense for these leases on a straight-line basis over the lease term.

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 cost of product sales and services in the accompanying consolidated statements

of operations, based on the nature of the transactions. Net foreign exchange gain (loss) recorded in our consolidated statements of operations during fiscal 2021, 2020 and 2019 was as follows:

(In thousands)	Fiscal Year		
	2021	2020	2019
Amount included in costs of revenues	\$ 1,015	\$ 419	\$ (664)
Total foreign exchange gain (loss), net	\$ 1,015	\$ 419	\$ (664)

Retirement Benefits

As of July 2, 2021, 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. Contributions to retirement plans are expensed as incurred. Retirement plan expense amounted to \$1.8 million, \$1.7 million and \$2.0 million in fiscal 2021, 2020 and 2019, respectively.

Revenue Recognition

Under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, we recognize revenue by applying the following five-step approach: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when, or as, we satisfy a performance obligation. See Note 3 for additional discussion on revenue recognition.

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 2021, 2020 and 2019.

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 generally charged to operations in the period in which they are incurred. For certain software projects under development, we capitalize the development costs during the period between determining technological feasibility of the product and commercial release and are included in Other assets on the consolidated balance sheet. We amortize the capitalized development cost upon commercial release, generally over three years. To date, the amount of development costs capitalized and amount amortized have not been material.

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 elected to account for forfeitures as they occur.

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.

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 August 2018, the FASB issued ASU 2018-15, Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract. This guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. ASU 2018-15 will be effective for us in our first quarter of fiscal 2021, with early adoption permitted. The standard can be adopted either using the prospective or retrospective transition approach. We adopted this amendment on July 4, 2020. We have assessed the amendments of ASU 2018-15 and determined the amendments to have an immaterial impact on our consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement (ASU 2018-13). The update eliminates, adds, and modifies certain disclosure requirements for fair value measurements. ASU 2018-13 will be effective for us in our first quarter of fiscal 2021 and early adoption is permitted of the entire standard or only the provisions that eliminate or modify disclosure requirements. We adopted this amendment on July 4, 2020. We have assessed the amendments of ASU 2018-13 and determined the amendments to have an immaterial impact on our consolidated financial statements and related disclosures.

Accounting Standards Not Yet Adopted

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740). This guidance simplifies the accounting for income taxes by removing certain exceptions to the general principles and also simplifies areas such as franchise taxes, step-up in tax basis goodwill, separate entity financial statements and interim recognition of enactment of tax laws and rate changes. ASU 2019-12 will be effective for us in our first quarter of fiscal 2022. We are currently evaluating the potential impact of ASU 2019-12 will have on our consolidated financial statements..

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848). This guidance provides optional guidance related to reference rate reform, which provides practical expedients for contract modifications and certain hedging relationships associated with the transition from reference rates that are expected to be discontinued. This guidance is applicable for our borrowing instruments, which use LIBOR as a reference rate, and will be effective through December 31, 2022. We are currently evaluating the potential impact of ASU 2020-04 will have on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13) and also issued subsequent amendments to the initial guidance: ASU 2018-19, ASU 2019-04, and ASU 2019-05 (collectively, Topic 326). Topic 326 requires measurement and recognition of expected credit losses for financial assets held. Topic 326 will be effective for us in our first quarter of

fiscal 2024, and earlier adoption is permitted. We are evaluating the impact adopting Topic 326 will have on our consolidated financial statements.

Note 2. Net Income per Share of Common Stock

Net income per share is computed using the two-class method, by dividing net income attributable to us by the weighted average number of shares of our outstanding common stock and participating securities outstanding. 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.

The following table presents the computation of basic and diluted net income per share attributable to our common stockholders:

(In thousands, except per share amounts)	Fiscal Year		
	2021	2020	2019
Numerator:			
Net income	\$ 110,139	\$ 257	\$ 9,738
Denominator:			
Weighted average shares outstanding, basic	11,036	10,782	10,754
Effect of potentially dilutive equivalent shares	652	154	482
Weighted average shares outstanding, diluted	11,688	10,936	11,236
Net income per share:			
Basic	\$ 9.98	\$ 0.02	\$ 0.91
Diluted	\$ 9.42	\$ 0.02	\$ 0.87

The following table summarizes the weighted-average equity awards that were excluded from the diluted net income per share calculations since they were antidilutive:

(In thousands)	Fiscal Year		
	2021	2020	2019
Stock options	8	356	390
Restricted stock units and performance stock units	4	2	32
Total shares of common stock excluded	12	358	422

Note 3. Revenue Recognition

We recognize revenue by applying the following five-step approach: (1) identification of the contract with a customer; (2) identification of the performance obligations in the contract; (3) determination of the transaction price; (4) allocation of the transaction price to the performance obligations in the contract; and (5) recognition of revenue when, or as, we satisfy a performance obligation.

Contracts and customer purchase orders are used to determine the existence of an arrangement.

Many of the Company's arrangements with customers contain multiple performance obligations and therefore promises to provide multiple goods and services. The Company evaluates each promised good and service in a contract to determine whether it represents a distinct performance obligation or should be accounted for as a combined performance obligation. For goods and services determined to be distinct we have concluded that they provide a benefit

to the customer either on their own or together with other resources that are readily available to the customer, without having the need for significant integration or customization.

Revenue from product sales, recognized at a point-in-time, is generated predominately from the sales of products manufactured by third-party manufacturers to whom we have outsourced our manufacturing processes. 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 network planning and design, engineering, installation and commissioning (“field services”), extended warranty, customer support, consulting, training, and education. Maintenance and support services are generally offered to our customers and recognized over a specified period of time and from sales and subsequent renewals of maintenance and support contracts. The network planning and design, engineering and installation related services noted are recognized based on an over-time recognition model using the cost-input method. Certain judgment is required when estimating total contract costs and progress to completion on the over-time arrangements, as well as whether a loss is expected to be incurred on the contract. The cost estimation process for these contracts is based on the knowledge and experience of the Company’s project managers, engineers, and financial professionals. Changes in job performance and job conditions are factors that influence estimates of the total costs to complete those contracts and the Company’s revenue recognition. If circumstances arise that change the original estimates of revenues, costs, or extent of progress toward completion, revisions to the estimates are made in a timely manner. 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 to us. We perform ongoing profitability analysis of our service contracts accounted for under this method in order to determine whether the latest estimates of revenues, costs, and profits require updating. In rare circumstances if 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 and if invoicing is ahead of revenue recognized it is classified as an unearned liability on the consolidated balance sheets.

In addition, shipping documents and customer acceptances, when applicable, are used to verify delivery and transfer of control. We typically satisfy our performance obligations upon shipment or delivery of product depending on the contractual terms. Payment terms to customers generally range from net 30 to 120 days from invoice, which are considered to be standard payment terms. Revenue recognition does not necessarily follow payment terms as there are a number of scenarios where they would be different. Recognition follows contractual terms and those vary depending on the nature of the performance obligation being satisfied. These timing differences result in contract assets and liabilities as discussed below. We assess our ability to collect from our customers based primarily on the creditworthiness and past payment history of the customer.

While our customers do not have the right of return, we reserve for estimated product returns as an offset to revenue based primarily on historical trends. Actual product returns may be different than what was estimated. These factors and unanticipated changes in economic and industry condition could make actual results differ from our return estimates.

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

Bill-and-Hold Sales

Certain customer arrangements consist of bill-and-hold characteristics under which transfer of control has been met (including the passing of title and significant risk and reward of ownership to the customers). Therefore, the customers can direct the use of the bill-and-hold inventory while we retain physical possession of the product until it is installed at a customer site at a point in time in the future.

Termination Rights

The contract term is determined on the basis of the period over which the parties to the contract have present enforceable rights and obligations. Certain customer contracts include a termination for convenience clause that allows the customer to terminate services without penalty, upon advance notification. We concluded that the duration of support contracts does not extend beyond the non-cancellable portion of the contract.

Variable Consideration

The consideration associated with customer contracts is generally fixed. Variable consideration includes discounts, rebates, refunds, credits, incentives, penalties, or other similar items. The amount of consideration that can vary is not a substantial portion of total consideration.

Variable consideration estimates are re-assessed at each reporting period until a final outcome is determined. The changes to the original transaction price due to a change in estimated variable consideration are applied on a retrospective basis, with the adjustment recorded in the period in which the change occurs. Changes to variable consideration are tracked and material changes disclosed.

Stand-alone Selling Price

Stand-alone selling price is the price at which an entity would sell a good or service on a stand-alone (or separate) basis at contract inception. Under the model, the observable price of a good or service sold separately provides the best evidence of stand-alone selling price. However, in certain situations, stand-alone selling prices will not be readily observable and the entity must estimate the stand-alone selling price.

When allocating on a relative stand-alone selling price basis, any discount provided in the contract is allocated proportionately to all of the performance obligations in the contract.

The majority of products and services that we offer have readily observable selling prices. For products and services that do not, we estimate stand-alone selling price using the market assessment approach based on expected selling price and adjust those prices as necessary to reflect our costs and margins. As part of our stand-alone selling price policy, we review product pricing on a periodic basis to identify any significant changes and revise our expected selling price assumptions as appropriate.

Shipping and Handling

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.

Costs to Obtain a Contract

We have assessed the treatment of costs to obtain or fulfill a contract with a customer. Under ASC 606, we capitalize sales commissions related to multi-year service contracts, and amortize the asset over the period of benefit, which is the estimated service period. Sales commissions paid on contract renewals, including service contract renewals, is commensurate with the sales commissions paid on the initial contracts. The capitalized sales commissions are included in Other Current Assets and Other Assets on the consolidated balance sheets. We have not identified any impairments during the periods presented.

We elected the practical expedient to expense sales commissions as incurred when the amortization period of the related asset is one year or less. These costs are recorded as sales and marketing expense and included in our consolidated balance sheet as accrued expenses until paid. Our amortization expense was not material for the fiscal years ended July 2, 2021, July 3, 2020 and June 28, 2019.

Contract Balances, Performance Obligations, and Backlog

The following table provides information about receivables and liabilities from contracts with customers (in thousands):

	<u>July 2, 2021</u>	<u>July 3, 2020</u>
Contract Assets		
Accounts receivable, net	\$ 48,135	\$ 44,661
Unbilled receivables	\$ 37,521	\$ 28,085
Capitalized commissions	\$ 1,720	\$ 1,157
Contract Liabilities		
Advance payments and unearned revenue	\$ 32,304	\$ 21,872
Unearned revenue, long-term	\$ 8,592	\$ 8,142

Significant changes in contract balances may arise as a result of recognition over time for services, transfer of control for equipment, and periodic payments (both in arrears and in advance).

From time to time, we may experience unforeseen events that could result in a change to the scope or price associated with an arrangement. We would update the transaction price and measure of progress for the performance obligation and recognize the change as a cumulative catch-up to revenue. Because of the nature and type of contracts we engage in, the timeframe to completion and satisfaction of current and future performance obligations can shift; however, this will have no impact on our future obligation to bill and collect.

As of July 2, 2021, we had \$40.9 million in advance payments and unearned revenue and long-term unearned revenue, of which approximately 80% is expected to be recognized as revenue in fiscal 2022 and the remainder thereafter. During fiscal years 2021 and 2020, we recognized approximately \$21.9 million and \$14.0 million respectively, that was included in advance payments and unearned revenue at the beginning of each reporting period.

Remaining Performance Obligations

We elect the practical consideration to exclude performance obligations that relate to contracts with original expected durations of one year or less. As our product purchase orders are generally delivered within one year or less and our maintenance and support service contracts can be terminated without substantive termination penalties resulting in contracts with less than one year of duration, these performance obligations have been excluded from the remaining performance obligation amounts. The aggregate amount of transaction price allocated to the remaining unsatisfied performance obligations (or partially unsatisfied) was approximately \$70.4 million at July 2, 2021 relating to our long-term field service projects. Of this amount, we expect to recognize approximately 60% as revenue during fiscal 2022, with the remaining amount to be recognized as revenue beyond 12 months.

Note 4. Leases

We lease facilities under non-cancelable operating lease agreements. These leases have varying terms that range from one to 20 years and contain leasehold improvement incentives, rent holidays and escalation clauses. In addition, some of these leases have renewal options for up to 3 years. We lease approximately 18,000 square feet of office space in Austin, Texas as our corporate headquarters with an original term of 36 months.

We determine if an arrangement contains a lease at inception. These operating leases are included in "Right of use assets" (ROU assets) on our July 2, 2021 consolidated balance sheet and represent our right to use the underlying asset for the lease term. Our obligation to make lease payments are included in "Short-term lease liabilities" and "Long-term lease liabilities" on our July 2, 2021 consolidated balance sheet. We have not entered into any financing leases during fiscal 2021.

Operating lease ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of our leases do not provide an implicit rate, we used the incremental borrowing rate based on the remaining lease term at commencement date in determining the present value of future payments. The operating lease ROU assets also include any lease payments made and exclude lease incentives and initial direct costs incurred. Variable lease payments are expensed as incurred and are not included within

the ROU asset and lease liability calculation. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Certain of our lease arrangements include non-lease components and we account for non-lease components together with lease components for all such lease arrangements.

Leases with an initial term of 12 months or less are not recorded on our consolidated balance sheets. We recognize lease expense for these leases on a straight-line basis over the lease term.

As of July 2, 2021, total ROU assets were approximately \$3.8 million, and short-term lease liabilities and long-term lease liabilities were approximately \$0.8 million and \$3.2 million, respectively. Cash paid for lease liabilities was \$1.3 million for fiscal 2021.

The following summarizes our lease costs, lease term and discount rate for fiscal 2021 and 2020 (in thousands):

	Fiscal	
	2021	2020
Operating lease costs	\$ 1,213	\$ 5,241
Short-term lease costs	1,639	1,541
Variable lease costs	324	351
Total lease costs	<u>\$ 3,176</u>	<u>\$ 7,133</u>

Other information related to our operating leases for fiscal 2021 and 2020 (in thousands, except for weighted average):

	Fiscal	
	2021	2020
Weighted average remaining lease term	7.8 years	6.8 years
Weighted average discount rate	5.7 %	6.8 %
Operating lease assets obtained in exchange for operating lease liabilities	\$ 1,772	\$ —

Rental expense for operating leases, including rentals on a month-to-month basis was \$3.3 million for fiscal 2021 and \$3.7 million for each of fiscal 2020 and 2019.

As of July 2, 2021, our future minimum lease payments under all non-cancelable operating leases with an initial term in excess of one year were as follows (in thousands):

Fiscal years	Amount
2022	\$ 973
2023	717
2024	598
2025	617
2026	557
Thereafter	1,710
Total lease payments	<u>5,172</u>
Less: interest	(1,181)
Present value of lease liabilities	<u>\$ 3,991</u>

Note 5. 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)	July 2, 2021	July 3, 2020
Cash and cash equivalents	\$ 47,942	\$ 41,618
Restricted cash included in Other assets	256	254
Total cash, cash equivalents, and restricted cash	<u>\$ 48,198</u>	<u>\$ 41,872</u>

Accounts Receivable, net

Our net accounts receivable are summarized below:

(In thousands)	July 2, 2021	July 3, 2020
Accounts receivable	\$ 50,276	\$ 46,502
Less: Allowances for collection losses	(2,141)	(1,841)
Total accounts receivable, net	<u>\$ 48,135</u>	<u>\$ 44,661</u>

Inventories

Our inventories are summarized below:

(In thousands)	July 2, 2021	July 3, 2020
Finished products	\$ 15,409	\$ 9,055
Raw materials and supplies	8,027	4,942
Total inventories	<u>\$ 23,436</u>	<u>\$ 13,997</u>
Consigned inventories included within raw materials	\$ 6,570	\$ 1,931

During fiscal 2021, 2020 and 2019, we recorded charges to adjust our inventory and customer service inventory due to excess and obsolete inventory resulting from lower sales forecasts, product transitioning or discontinuance. Such charges incurred during fiscal 2021, 2020 and 2019 were classified in cost of product sales as follows:

(In thousands)	Fiscal Year		
	2021	2020	2019
Excess and obsolete inventory charges (recovery)	\$ 544	\$ 233	\$ (352)
Customer service inventory write-downs	908	712	905
Total charges	<u>\$ 1,452</u>	<u>\$ 945</u>	<u>\$ 553</u>

Assets Held for Sale

We consider properties to be Assets held for sale when management approves and commits to a plan to dispose of a property or group of properties. The property held for sale prior to the sale date is separately presented on the consolidated balance sheets as Assets held for sale.

During the second quarter of fiscal 2021 management initiated the sale of our facility located in Lanarkshire, Scotland. We expect to complete the sale within twelve months. The carrying value of this asset held for sale as of April 2, 2021 of \$2.2 million which represents the lower of 1) the carrying value or 2) fair value of the assets, less estimated

costs to sell the assets. We performed an analysis and determined the estimated fair value of the assets, less estimated selling costs, is higher than the carrying value of the assets. As a result, no impairment charge was recorded in our consolidated statements of operations.

Property, Plant and Equipment, net

Our property, plant and equipment, net is summarized below:

(In thousands)	July 2, 2021	July 3, 2020
Land	\$ 210	\$ 710
Buildings and leasehold improvements	6,914	11,737
Software	21,370	17,887
Machinery and equipment	51,244	52,293
	<u>79,738</u>	<u>82,627</u>
Less accumulated depreciation and amortization	(68,037)	(65,716)
Total Property, Plant and Equipment, net	<u>\$ 11,701</u>	<u>\$ 16,911</u>

Included in the total plant, property and equipment above were \$0.3 million and \$3.5 million of assets in progress which have not been placed in service as of July 2, 2021 and July 3, 2020, respectively. Depreciation and amortization expense related to property, plant and equipment, including amortization of internal use software was \$5.4 million, \$4.4 million and \$4.5 million in fiscal 2021, 2020 and 2019, respectively.

Accrued Expenses

Our accrued expenses are summarized below:

(In thousands)	July 2, 2021	July 3, 2020
Accrued compensation and benefits	\$ 13,455	\$ 11,814
Accrued agent commissions	2,348	2,356
Accrued warranties	3,228	3,196
Other	9,123	9,554
	<u>\$ 28,154</u>	<u>\$ 26,920</u>

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		
	2021	2020	2019
Balance as of the beginning of the fiscal year	\$ 3,196	\$ 3,323	\$ 3,196
Warranty provision recorded during the period	1,679	1,564	1,974
Consumption during the period	(1,647)	(1,691)	(1,847)
Balance as of the end of the period	<u>\$ 3,228</u>	<u>\$ 3,196</u>	<u>\$ 3,323</u>

Advance payments and Unearned Income

Our advance payments and unearned income are summarized below:

(In thousands)	July 2, 2021	July 3, 2020
Advance payments	\$ 2,445	\$ 2,529
Unearned income	29,859	19,343
	<u>\$ 32,304</u>	<u>\$ 21,872</u>

Note 6. 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 July 2, 2021 and July 3, 2020 were as follows:

(In thousands)	July 2, 2021		July 3, 2020		Valuation Inputs
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	
Assets:					
Cash and cash equivalents:					
Money market funds	\$ 26,847	\$ 26,847	\$ 18,189	\$ 18,189	Level 1
Bank certificates of deposit	\$ 3,288	\$ 3,288	\$ 3,250	\$ 3,250	Level 2
Liabilities:					
Other accrued expenses:					
Foreign exchange forward contracts	\$ —	\$ —	\$ 14	\$ 14	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 major financial institutions. As of July 2, 2021, 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 July 2, 2021 and July 3, 2020. 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 2021, 2020 and 2019, we had no transfers between levels of the fair value hierarchy of our assets or liabilities measured at fair value.

Note 7. Credit Facility and Debt

On May 17, 2020, we entered into Amendment No. 4 to Third Amended and Restated Loan and Security Agreement with Silicon Valley Bank (the “SVB Credit Facility”) which extended the expiration date to June 28, 2024. The SVB Credit Facility provides for a \$25.0 million accounts receivable formula based revolving credit facility that can be borrowed by our U.S. company, with a \$25.0 million sublimit that can be borrowed by our U.S. and Singapore entities. Loans may be advanced under the SVB Credit Facility based on a borrowing base equal to a specified percentage of the value of eligible accounts of the borrowers under the SVB Credit Facility. The borrowing base is subject to certain eligibility criteria. Availability under the accounts receivable formula based revolving credit facility can also be utilized to issue letters of credit with a \$12.0 million sub limit. We may prepay loans under the SVB Credit Facility in whole or in part at any time without premium or penalty. As of July 2, 2021, available credit under the SVB Credit Facility was \$22.7 million reflecting the calculated borrowing base of \$25.0 million less outstanding letters of credit of \$2.3 million. We did not borrow against the SVB Credit Facility during fiscal 2021 and there was no borrowing outstanding as of July 2, 2021.

The SVB Credit Facility carries an interest rate, at our option, computed (i) at the prime rate reported in the Wall Street Journal plus a spread of 0.50% to 1.50%, with such spread determined based on our adjusted quick ratio; or (ii) if we satisfy a minimum adjusted quick ratio, a LIBOR rate determined in accordance with the SVB Credit Facility, plus a spread of 2.75%. Any outstanding Singapore subsidiary borrowed loans shall bear interest at an additional 2.00% above the applicable prime or LIBOR rate.

The SVB Credit Facility contains monthly and 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 Silicon Valley Bank 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 5.00% above the applicable interest rate. As of July 2, 2021, we were in compliance with the quarterly financial covenants, as amended, contained in the SVB Credit Facility.

Due to the current economic uncertainty stemming from the impact of the COVID-19 pandemic, on April 21, 2020, we entered into a Paycheck Protection Program Note (the “Note”) with Silicon Valley Bank as the lender (“Lender”) in an aggregate principal amount of \$5.9 million pursuant to the Paycheck Protection Program under the CARES Act (the “PPP Loan”). On April 22, 2020, we received proceeds of \$5.9 million from the PPP Loan. At the time when we applied for the PPP Loan, we had qualified to receive the funds pursuant to the then published qualification requirements. On April 23, 2020, the SBA, in consultation with the Department of Treasury, issued new guidance regarding qualification requirements for public companies. Based on our assessment of the new guidance, on May 5, 2020, we repaid the principal and interest on the PPP Loan.

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 July 2, 2021. 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 July 2, 2021. This facility may be terminated upon notice, is reviewed annually for renewal or modification, and is supported by a corporate guarantee.

Note 8. Restructuring Activities

The following table summarizes our restructuring related activities during fiscal year 2021, 2020 and 2019:

(In thousands)	Severance and Benefits			Facilities and Other	Total
	Fiscal 2021 Plan	Q4 2020 Plan	Prior Years' Plan	Prior Years' Plans	
Restructuring liability June 29, 2018	\$ —	\$ —	\$ 1,646	\$ 266	\$ 1,912
Charges, net	—	—	736	—	736
Cash payments	—	—	(1,293)	(23)	(1,316)
Foreign currency translation (gain) loss	—	—	—	(5)	(5)
Balance as of June 28, 2019	—	—	1,089	238	1,327
Charges, net	—	1,879	2,170	—	4,049
Cash payments	—	(322)	(2,314)	—	(2,636)
Foreign currency translation (gain) loss	—	—	—	(2)	(2)
Balance as of July 3, 2020	—	1,557	945	236	2,738
Charges, net	2,414	92	(235)	—	2,271
Cash payments	(205)	(1,440)	(646)	—	(2,291)
Foreign currency translation (gain) loss	—	7	—	12	19
Balance as of July 2, 2021	\$ 2,209	\$ 216	\$ 64	\$ 248	\$ 2,737

As of July 2, 2021, the sum of the accrual balance of \$2.7 million was in short-term restructuring liabilities on the consolidated balance sheets.

Fiscal 2021 Plan

During the third and fourth quarters of fiscal 2021, our Board of Directors approved restructuring plans (the “Fiscal 2021 Plan”) to continue to reduce our operating costs and improve profitability. We recorded restructuring charges of \$2.4 million related to the Fiscal 2021 Plan in fiscal 2021. Payments related to the accrued restructuring balances for this plan are expected to be fully paid in fiscal 2022.

Q4 2020 Plan

During the fourth quarter of fiscal 2020, our Board of Directors approved a restructuring plan (the “Q4 2020 Plan”) in order to continue to reduce our operating costs and improve profitability to optimize our business model and increase efficiencies. Payments related to the accrued restructuring liability balance for this plan are expected to be fully paid in fiscal 2022.

Q3 2020 Plan

During the third quarter of fiscal 2020, our Board of Directors approved a restructuring plan (the “Q3 2020 Plan”) in order to reduce our operating costs and improve profitability to optimize our business model and increase efficiencies. Payments related to the accrued restructuring liability balance for this plan were fully paid in fiscal 2021.

Fiscal 2020 Plan

During the fourth quarter of fiscal 2019, our Board of Directors approved a restructuring plan (the “Fiscal 2020 Plan”) to primarily consolidate product development, right size our resources to support our international business and other support functions. Payments related to the accrued restructuring liability balance for this plan were fully paid in fiscal 2021.

Fiscal 2018-2019 Plan

During the fourth quarter of fiscal 2018, our Board of Directors approved a restructuring plan (the “Fiscal 2018-2019 Plan”) to consolidate back-office support functions and align resources by geography to lower our expense structure. We completed the restructuring activities under the Fiscal 2018-2019 Plan at the end of fiscal 2019. Payments related to the accrued restructuring liability balance for this plan were fully paid in fiscal 2021.

Note 9. Stockholders’ Equity

Stock Repurchase Program

In May 2018, our board of directors approved a repurchase program pursuant to which authorized repurchase of up to \$7.5 million of our common stock.

The following table summarizes the repurchase of our common stock:

(In thousands, except share and per-share amounts)	Shares	Weighted-Average Price Paid per Share	Aggregate purchase price
Fiscal 2021 Treasury Shares	19,587	\$ 40.16	\$ 787
Fiscal 2020	256,046	\$ 6.91	\$ 1,769
Fiscal 2019	312,538	\$ 7.39	\$ 2,309

Starting in February 2021 repurchased shares were recorded as treasury stock and we do not anticipate retiring them. Treasury stock did not participate in the two-for-one stock split in the form of a stock dividend paid on April 7, 2021. All repurchased shares prior to February 2021 were retired and reflected the two-for-one stock split. As of July 2, 2021, \$2.6 million remained available for repurchase under our stock repurchase program.

Stock Incentive Programs

Stock Equity Plan

At July 2, 2021, we had one stock incentive plan for our employees and non-employee directors, the 2018 Incentive Plan (the “2018 Plan”). The 2018 Plan was approved by the stockholders at the fiscal year 2017 Annual Stockholders’ Meeting and it added 500,000 shares to the equity pool of shares available to grant to employees and non-employee directors. The 2018 Plan replaced the 2007 Plan as our primary long-term incentive program (“LTIP”). The 2007 Plan was discontinued following stockholder approval of the 2018 Plan, but the outstanding awards under the 2007 Plan will continue to remain in effect in accordance with their terms; 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 2018 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.

Under the 2018 Plan, option exercise prices are equal to the fair market value of our common stock on the date the options are granted using our closing stock price. After vesting, options generally may be exercised within seven years after the date of grant.

Restricted stock units are not transferable until vested and the restrictions lapse upon the achievement of continued employment or service over a specified time period. Restricted stock units issued to employees generally vest three years from the date of grant (three-year cliff or annually over three years). Restricted stock units issued to non-executive board members annually generally vest on the day before the annual stockholders’ meeting.

Vesting of performance share awards and units is subject to the achievement of predetermined financial performance criteria and continued employment through the end of the applicable period. Market-based stock units vest upon meeting certain predetermined share price performance criteria and continued employment through the end of the applicable 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 and made available for future grants under the 2018 Plan. Shares of our common stock remaining available for future issuance under the 2018 Plan totaled 784,793 as of July 2, 2021.

On March 3, 2020, our Board of Directors 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, to our stockholders of record as of the close of business on March 3, 2020, (the “Record Date”). 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 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 March 3, 2020, and amended as of August 27, 2020, 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 Code. We submitted the Plan to a stockholder vote and our stockholders voted to approve the Plan at the 2020 Annual Meeting of Stockholders.

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.

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 July 2, 2021, 112,452 shares were reserved for future issuances under the ESPP. We issued 2,744 shares under the ESPP during fiscal 2021.

Share-Based Compensation

Total following table presents the compensation expense for share-based awards included in our consolidated statements of operations for fiscal 2021, 2020 and 2019:

(In thousands)	Fiscal Year		
	2021	2020	2019
By Expense Category:			
Cost of product sales and services	\$ 372	\$ 182	\$ 170
Research and development	250	112	150
Selling and administrative	2,299	1,392	1,403
Total share-based compensation expense	<u>\$ 2,921</u>	<u>\$ 1,686</u>	<u>\$ 1,723</u>
By Types of Award:			
Options	\$ 757	\$ 588	\$ 389
Restricted stock awards and units	857	743	879
Performance share awards and units and market-based stock units	1,307	355	455
Total share-based compensation expense	<u>\$ 2,921</u>	<u>\$ 1,686</u>	<u>\$ 1,723</u>

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:

	July 2, 2021	
	Unamortized Expense	Weighted-Average Remaining Recognition Period
	(In thousands)	(Years)
Options	\$ 976	1.58
Restricted stock awards and units	\$ 1,138	1.45
Performance share awards and units	\$ 2,232	1.50

Stock Options

A summary of the combined stock option activity under our equity plans during fiscal 2021 is as follows:

	Shares	Weighted-Average Exercise Price-	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
			(Years)	(In thousands)
Options outstanding as of July 3, 2020	643,436	\$ 8.65	4.20	
Granted	243,810	\$ 12.02		
Exercised	(227,422)	\$ 8.12		
Forfeited	(37,998)	\$ 10.05		
Expired	(81,036)	\$ 13.81		
Options outstanding as of July 2, 2021	<u>540,790</u>	\$ 9.55	5.38	\$ 12,090
Options vested and expected to vest as of July 2, 2021	<u>540,790</u>	\$ 9.55	5.38	\$ 12,090
Options exercisable as of July 2, 2021	66,592	\$ 8.40	3.86	\$ 1,564

The aggregate intrinsic value represents the total pre-tax intrinsic value or the aggregate difference between the closing price of our common stock on July 2, 2021 of \$31.88, and the exercise price for in-the-money options that would have been received by the optionees if all options had been exercised on July 2, 2021.

The fair value of each option grant under our 2018 Stock Plan was estimated using the Black-Scholes option pricing model on the date of grant. A summary of the significant weighted-average assumptions we used in the Black-Scholes valuation model is as follows:

	Fiscal Year		
	2021	2020	2019
Expected dividends	— %	— %	— %
Expected volatility	48.5 %	51.7 %	59.0 %
Risk-free interest rate	0.2 %	1.7 %	2.80 %
Expected term (in years)	3.0	4.6	4.5

The following summarizes all of our stock options outstanding and exercisable as of July 2, 2021:

Actual Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
	\$6.42 — \$6.42	23,942	5.88	\$ 6.42	7,982
\$7.23 — \$7.23	182,984	5.22	\$ 7.23	—	\$ —
\$7.44 — \$27.01	333,864	5.43	\$ 11.00	58,610	\$ 8.66
	<u>540,790</u>	5.38	\$ 9.55	<u>66,592</u>	\$ 8.40

Additional information related to our stock options is summarized below:

(In thousands)	Fiscal Year		
	2021	2020	2019
Intrinsic value of options exercised	\$ 2,208	\$ 3	\$ 2
Fair value of options vested	\$ 484	\$ 499	\$ 23

Restricted Stock Awards and Units

A summary of the status of our restricted stock as of July 2, 2021 and changes during fiscal 2021 is as follows:

	Shares	Weighted-Average Grant Date Fair Value
	Restricted stock outstanding as of July 3, 2020	161,658
Granted	120,122	\$ 12.51
Vested and released	(64,372)	\$ 7.25
Forfeited	(28,164)	\$ 7.48
Restricted stock outstanding as of July 2, 2021	<u>189,244</u>	\$ 10.46

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 2021, 2020 and 2019 was \$2.1 million, \$1.7 million and \$2.2 million, respectively.

Market-Based Stock Units

A summary of the status of our market-based stock units granted during fiscal 2020 as of July 2, 2021 is as follows:

	Shares	Weighted-Average Grant Date Fair Value
Restricted stock outstanding as of July 3, 2020	93,000	\$ 9.53
Granted	72,000	14.07
Restricted stock outstanding as of July 2, 2021	<u>165,000</u>	\$ 11.51

The fair value for each market-based stock units 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	
	2021	2020
Expected dividends	—	—
Expected volatility	53.2% - 48.9%	36.4% - 47.3%
Risk-free interest rate	.13% - .19%	1.57% - 1.58%
Weighted-average grant date fair value per share granted	\$ 14.07	\$ 9.53

Performance Share Awards and Units

A summary of the status of our performance shares awards and units as of July 2, 2021 and changes during fiscal 2021 is as follows:

	Shares	Weighted-Average Grant Date Fair Value
Performance share awards and units outstanding as of July 3, 2020	151,536	\$ 7.95
Granted	76,706	\$ 11.84
Vested and released	(99,186)	\$ 3.82
Forfeited/Cancelled	(25,728)	\$ 8.84
Performance share awards and units outstanding as of July 2, 2021	<u>103,328</u>	\$ 14.58

Note 10. 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 regions 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 2021, 2020 and 2019 were as follows:

(In thousands)	Fiscal Year		
	2021	2020	2019
North America	\$ 183,071	\$ 151,709	\$ 132,884
Africa and Middle East	44,023	37,595	48,305
Europe and Russia	8,826	11,157	16,933
Latin America and Asia Pacific	38,991	38,181	45,736
Total Revenue	<u>\$ 274,911</u>	<u>\$ 238,642</u>	<u>\$ 243,858</u>

Revenue by country comprising more than 5% of our total revenue for fiscal 2021, 2020 and 2019 was as follows:

(In thousands, except percentages)	Revenue	% of Total Revenue
Fiscal 2021:		
United States	\$ 181,842	66.1 %
Fiscal 2020:		
United States	\$ 147,795	61.9 %
Philippines	\$ 12,550	5.3 %
Fiscal 2019:		
United States	\$ 129,929	53.3 %
Philippines	\$ 24,368	10.0 %

Our long-lived assets, consisting primarily of net property, plant and equipment, by geographic areas based on the physical location of the assets as of July 2, 2021 and July 3, 2020 were as follows:

(In thousands)	July 2, 2021	July 3, 2020
New Zealand	\$ 6,840	\$ 8,342
United States	3,434	4,829
United Kingdom	115	2,420
Other countries	1,312	1,320
Total	<u>\$ 11,701</u>	<u>\$ 16,911</u>

During fiscal 2021 management initiated the sale of our facility located in Lanarkshire, Scotland. Therefore, the carrying value of \$2.2 million relating to the real property was reclassified to assets held for sale in the consolidated balance sheet.

Note 11. Income Taxes

Income before provision for income taxes during fiscal year 2021, 2020 and 2019 consisted of the following:

(In thousands)	Fiscal Year		
	2021	2020	2019
United States	\$ 26,325	\$ 9,497	\$ 5,827
Foreign	(3,885)	(5,788)	(4,277)
Total income before income taxes	<u>\$ 22,440</u>	<u>\$ 3,709</u>	<u>\$ 1,550</u>

(Benefit from) provision for income taxes for fiscal year 2021, 2020 and 2019 were summarized as follows:

(In thousands)	Fiscal Year		
	2021	2020	2019
Current provision (benefit):			
Federal	\$ (60)	\$ (10)	\$ —
Foreign	2,128	3,589	527
State and local	221	45	45
	<u>2,289</u>	<u>3,624</u>	<u>572</u>
Deferred provision (benefit):			
Federal	(75,587)	(744)	(7,482)
Foreign	983	572	(1,278)
State and local	(15,384)	—	—
	<u>(89,988)</u>	<u>(172)</u>	<u>(8,760)</u>
Total (benefit from) provision for income taxes	<u>\$ (87,699)</u>	<u>\$ 3,452</u>	<u>\$ (8,188)</u>

The (benefit from) provision for income taxes differed from the amount computed by applying the federal statutory rate of 21.0%, to our income before (benefit from) provision for income taxes as follows:

(In thousands)	Fiscal Year		
	2021	2020	2019
Tax provision at statutory rate	\$ 4,713	\$ 779	\$ 308
Valuation allowances	(95,796)	(6,577)	(13,461)
Permanent differences	(346)	(347)	664
State and local taxes, net of U.S. federal tax benefit	1,436	542	2,008
Foreign income taxed at rates different than the U.S. statutory rate	209	764	1,488
Stock-based compensation excess tax benefits	(482)	—	—
Tax credit/deductions - generated and expired	108	99	2,167
Foreign withholding taxes	1,184	303	911
Brazil withholding tax receivable	72	—	(1,877)
Change in uncertain tax positions	102	2,674	859
Return-to-provision/Deferred true-up adjustments	—	5,634	(1,371)
Other	1,101	(419)	116
Total provision for (benefit from) income taxes	<u>\$ (87,699)</u>	<u>\$ 3,452</u>	<u>\$ (8,188)</u>

Our (benefit from) provision for income taxes was \$87.7 million of benefit for fiscal 2021, \$3.5 million of expense for fiscal 2020 and \$8.2 million of benefit for fiscal 2019. Our tax benefit for fiscal 2021 was primarily due to the release of valuation allowance on our U.S. federal and state deferred tax assets.

Our tax expense for fiscal 2020 was primarily due to tax expense related to profitable foreign subsidiaries and increase in our reserve for uncertain tax positions.

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

(In thousands)	July 2, 2021	July 3, 2020
Deferred tax assets:		
Inventory	\$ 5,279	\$ 4,849
Accruals and reserves	3,437	2,923
Bad debts	392	201
Amortization	1,530	1,585
Stock compensation	552	465
Deferred revenue	1,960	2,124
Unrealized exchange gain/loss	197	129
Other	3,433	4,845
Tax credit carryforwards	5,447	5,498
Tax loss carryforwards	119,287	126,550
Total deferred tax assets before valuation allowance	141,514	149,169
Valuation allowance	(37,447)	(136,097)
Total deferred tax assets	104,067	13,072
Deferred tax liabilities:		
Branch undistributed earnings reserve	130	57
Depreciation	450	142
Right of use assets	634	556
Other	—	63
Total deferred tax liabilities	1,214	818
Net deferred tax assets	\$ 102,853	\$ 12,254

As Reported on the Consolidated Balance Sheets

Deferred income tax assets	\$ 103,467	\$ 12,799
Deferred income tax liabilities	614	545
Total net deferred income tax assets	\$ 102,853	\$ 12,254

Our valuation allowance related to deferred income taxes, as reflected in our consolidated balance sheets, was \$37.4 million as of July 2, 2021 and \$136.1 million as of July 3, 2020. The change in valuation allowance for the fiscal years ended July 2, 2021 and July 3, 2020 was a decrease of \$98.7 million and \$6.8 million. The decrease in the valuation allowance in fiscal 2021 was primarily due to the release of certain U.S. federal, state, and foreign valuation allowances, partially offset by losses in tax jurisdictions in which we cannot recognize tax benefits. During the third quarter of fiscal 2021, we recorded a valuation allowance release of \$92.2 million as a discrete item based on management's reassessment of the amount of its U.S. federal and state deferred tax assets that are more likely than not to be realized, primarily as a result of increases in U.S. profitability in the current period and expectations of continued profitability in future periods. In performing our analysis, we used the most updated plans and estimates that we currently use to manage the underlying business and calculated the utilization of our deferred tax assets. We continue to maintain a valuation allowance of \$1.4 million on certain U.S. federal and state deferred tax assets that we believe is not more likely than not to be realized in future periods.

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, including tax loss carryforwards that are attributable to the Microwave Communication Division when it was a division of Harris. There have been no settlement payments recorded since the acquisition date.

Tax loss and credit carryforwards as of July 2, 2021 have expiration dates ranging between one year and no expiration in certain instances. The amounts of U.S. federal tax loss carryforwards as of July 2, 2021 and July 3, 2020 were \$382.3 million (\$303.8 million and \$78.5 million to Harris tax attributes) and \$404.1 million (\$325.6 million and \$78.5 million related to Harris tax attributes), respectively, and begin to expire in fiscal 2023. The amount of U.S. federal and state tax credit carryforwards as of July 2, 2021 was \$6.3 million, and certain credits will begin to expire in fiscal

2022. The amount of foreign tax loss carryforwards as of July 2, 2021 was \$182.8 million and certain losses begin to expire in fiscal 2022. The amount of foreign tax credit carryforwards as of July 2, 2021 was \$2.9 million, and certain credits will begin to expire in fiscal 2026.

United States income taxes have not been provided on basis differences in foreign subsidiaries of \$2.8 million and \$1.6 million as of July 2, 2021 and July 3, 2020, respectively, because of our intention to reinvest these earnings indefinitely. Additionally, no foreign withholding taxes, federal or state taxes have been provided if these unremitted earnings of the Company's foreign subsidiaries were distributed, as such amounts are considered permanently reinvested. It is not practicable to estimate the additional income taxes, including applicable foreign withholding taxes, that would be due upon the repatriation of these earnings.

As of July 2, 2021 and July 3, 2020, we had unrecognized tax benefits of \$17.3 million and \$18.0 million, respectively, as revised for correction to unrecognized tax benefits in the table below, for various federal, foreign, and state income tax matters. Unrecognized tax benefits decreased by \$0.8 million. Our total unrecognized tax benefits that, if recognized, would affect our effective tax rate were \$5.2 million and \$5.8 million, respectively, as of July 2, 2021 and July 3, 2020. 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 \$0.6 million as of July 2, 2021 and \$0.7 million as of July 3, 2020. An immaterial amount of penalties have been accrued.

Our unrecognized tax benefit activity for fiscal 2021, 2020 and 2019 was as follows:

(In thousands)	<u>Amount</u>
Unrecognized tax benefit as of June 29, 2018	\$ 12,840
Additions for tax positions in prior periods	287
Additions for tax positions in current periods	1,501
Decreases for tax positions in prior periods	(1,674)
Decreases related to change of foreign exchange rate	33
Unrecognized tax benefit as of June 28, 2019	12,987
Additions for tax positions in prior periods	7,023
Additions for tax positions in current periods	3,094
Decreases for tax positions in prior periods	(4,692)
Decreases related to change of foreign exchange rate	(365)
Unrecognized tax benefit as of July 3, 2020	18,047
Additions for tax positions in prior periods	184
Additions for tax positions in current periods	869
Decreases for tax positions in prior periods	(1,788)
Decreases related to change of foreign exchange rate	(57)
Unrecognized tax benefit as of July 2, 2021	<u>\$ 17,255</u>

Our unrecognized tax benefit decreased for tax positions in prior periods by \$0.9 million, \$3.8 million and \$0.0 million for fiscal year 2021, 2020 and 2019, respectively, related to settlements with tax authorities in the table above.

Our unrecognized tax benefit decreased for tax positions in prior periods by \$0.6 million, \$0.9 million and \$0.2 million for fiscal year 2021, 2020 and 2019, respectively, related to lapses of the applicable statute of limitations in the table above.

We have a number of years with open tax audits which vary from jurisdiction to jurisdiction. Our major tax jurisdictions that are open and subject to potential audits include the U.S., Singapore, Nigeria, Saudi Arabia and the Ivory Coast. The earliest years for these jurisdictions are as follows: U.S. - 2003; Singapore - 2015; Nigeria - 2006; Saudi Arabia - 2019, and Ivory Coast - 2017.

During the first quarter of 2021, we received a tax refund of \$1.2 million from the Federal Revenue of Brazil related to our withholding tax refund claim and recorded minimal tax expense related to interest as a discrete item.

During the second quarter of 2021, we effectively settled a tax audit with the Financial Administration of the Republic of Slovenia for fiscal years 2016 to 2018 and recorded \$0.4 million of tax expense related to the denial of research and development tax relief as a discrete item. During the second quarter of 2021, we effectively settled a tax audit with the General Authority of Zakat and Tax in Saudi Arabia for fiscal years 2016 to 2018 and recorded minimal tax benefit related to the release of previously recorded ASC 740-10 reserve as a discrete item.

During the first and third quarter of 2021, we settled tax litigation cases with the Income Tax Department of Ministry of Finance for fiscal years 2005 to 2011 and recorded minimal tax benefit related to the release of previously recorded ASC740-10 reserve as a discrete item.

On March 27, 2020, the US enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act which provided certain tax relief measures including, but not limited to, (1) a five-year net operating loss carryback, (2) changes in the deduction of interest, (3) acceleration of alternative minimum tax credit (AMT) refunds, and (4) a technical correction to allow accelerated deductions for qualified improvement property. The Tax Cuts and Jobs Act repealed the corporate AMT credit and allowed taxpayers to claim any unused AMT credit over four tax years beginning in tax year 2018. The CARES Act allows for acceleration of the refundable AMT credit up to 100% of the AMT credit to be refunded in tax year 2018. During the third quarter of 2021, we received a tax refund of \$3.5 million from the U.S. Internal Revenue Service primarily related to our refundable AMT credit claim under the CARES Act and recorded minimal tax benefit related to interest as a discrete item.

On December 27, 2020, the US enacted the Consolidated Appropriations Act of 2021 (CAA) which extended and expanded certain tax relief measures created by the CARES Act, including, but not limited to, (1) second round of Payroll Protection Program loans, and (2) the Employer Retention Credit for 2021.

On March 11, 2021, the US enacted the American Rescue Plan Act of 2021 (ARPA) which expands Section 162(m) to cover the next five most highly compensated employees for the taxable year, in addition to the “covered employees” effective for taxable years beginning after December 31, 2026. We continue to examine the elements of CARES Act, CAA, and ARPA and the impact they may have on our future business.

Note 12. Commitments and Contingencies

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 July 2, 2021, we had outstanding purchase obligations with our suppliers or contract manufacturers of \$31.4 million. In addition, we had contractual obligations of approximately \$2.5 million associated with software as a service and software maintenance support as of July 2, 2021.

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 July 2, 2021, we had no guarantees applicable to our debt arrangements.

We have entered into commercial commitments in the normal course of business including surety bonds, standby letters of credit agreements and other arrangements with financial institutions primarily relating to the guarantee of future performance on certain contracts to provide products and services to customers. As of July 2, 2021, we had commercial commitments of \$583.3 million outstanding that were not recorded on our consolidated balance sheets. During the second quarter of fiscal 2017, 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 July 2, 2021, 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 July 2, 2021, 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 damages from a customer alleging that certain of our products were defective which we settled for an immaterial amount during the third quarter of 2021.

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. We have not recorded any significant 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.

In March 2016, an enforcement action by the Indian Department of Revenue, Ministry of Finance was brought against our subsidiary Aviat Networks (India) Private Limited (“Aviat India”) relating to the non-realization of intercompany receivables and non-payment of intercompany payables, which originated from 1999 to 2012, within the time frames dictated by the Indian regulations under the Foreign Exchange Management Act. In November 2017, the Indian Department of Revenue, Ministry of Finance also initiated a similar action against Telsima Communications Private Limited (“Telsima India”), a subsidiary of the Company, relating to the non-realization of intercompany receivables and non-payment of intercompany payables which originated from the period prior to our acquisition of Telsima India in February 2009. In September 2019, our directors of Aviat India appeared before the Ministry of Finance Enforcement Directorate. No settlement offers were discussed at the meeting and the matter is still ongoing with no subsequent hearing date currently scheduled. We have accrued an immaterial amount representing the estimated probable loss for which we would settle the matter. We currently cannot form an estimate of the range of loss in excess of our amounts already accrued. If the outcome of this matter is greater than the current immaterial amount accrued, we intend to dispute it vigorously.

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.

COVID-19

In March 2020, the World Health Organization characterized a recent pandemic of respiratory illness caused by novel coronavirus disease, known as COVID-19, as a pandemic. The pandemic has resulted in government authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place or stay-at-home orders, and business shutdowns. Our global operations expose us to risks associated with public health crises and epidemics/pandemics, such as the COVID-19 virus. The COVID-19 virus may have an impact on our operations, supply chains and distribution systems and increase our expenses, including as a result of impacts associated with preventive and precautionary measures that we, other businesses and governments are taking or requiring. The extent to which the COVID-19 pandemic impacts our business, prospects and results of operations will depend on future developments, which are highly uncertain, including, but not limited to, the duration and spread of the pandemic, its severity, the actions to contain the virus or treat its impact, including ongoing vaccination efforts, any new variant strains of the underlying virus and how quickly and to what extent normal economic and operating activities can resume. Management is actively monitoring the impact of COVID-19 on our financial condition, liquidity, operations, suppliers, industry, and workforce.

Our first priority remains the health and safety of our employees and their families. Employees whose tasks can be done off-site have been instructed to work from home. Our manufacturing sites support essential businesses and remain operational. We are maintaining social distancing for workers on-site and have enhanced cleaning protocols and usage of personal protective equipment, where appropriate.

The impact to our supply chain lead times and ability to fulfill orders was minimal for fiscal 2021. However, depending on pandemic-related factors like the uncertain duration of temporary manufacturing restrictions as well as our ability to perform field services during shelter in place orders, we could experience constraints and delays in fulfilling customer orders in future periods. We continue to monitor, assess and adapt to the situation and prepare for implications to our business, supply chain and customer demand. We expect these challenges to continue until business and economic activities return to more normal levels. The financial results for fiscal 2021 reflect some of the reduced activity experienced during the period in various locations around the world and are not necessary indicative of the results for the next fiscal period or fiscal year.

Note 13. Subsequent Event

On August 25, 2021, our Board of Directors approved a restructuring plan to further reduce operating costs and improve profitability. We estimate the restructuring charges, consist of one-time severance charges, will be approximately \$0.8 million to be recorded in the first quarter of fiscal 2022. We anticipate it will generate approximately \$0.6 million in annual net savings, the majority of which will be allocated to support growth-related initiatives to be in a stronger position to drive both top- and bottom- line performance.

Note 14. 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 2021 and 2020 were as follows:

(In thousands, except per share amounts)	Q1 Ended 9/28/2020	Q2 Ended 1/1/2021	Q3 Ended 3/29/2021	Q4 Ended 7/2/2021
Fiscal 2021				
Revenue	\$ 66,290	\$ 70,531	\$ 66,404	\$ 71,686
Gross margin	24,249	26,909	25,578	25,879
Operating income	6,565	7,878	4,035	3,732
Net income	5,936	6,641	94,731	2,831
Per share data:				
Basic net income per common share	\$ 0.55	\$ 0.60	\$ 8.49	\$ 0.25
Diluted net income per common share	\$ 0.54	\$ 0.58	\$ 8.00	\$ 0.24

(In thousands, except per share amounts)	Q1 Ended 9/27/2019	Q2 Ended 12/27/2019	Q3 Ended 4/3/2020	Q4 Ended 7/3/2020
Fiscal 2020				
Revenue	\$ 58,614	\$ 55,997	\$ 61,379	\$ 62,652
Gross margin	22,556	18,319	21,961	21,860
Operating income (loss)	1,519	(1,497)	1,236	2,120
Net income (loss)	54	(1,671)	731	1,143
Per share data:				
Basic net income (loss) per common share	\$ 0.01	\$ (0.15)	\$ 0.07	\$ 0.11
Diluted net income (loss) per common share	\$ —	\$ (0.15)	\$ 0.07	\$ 0.10

The following tables summarize charges included in our results of operations for each of the fiscal quarters presented:

(In thousands)	Q1 Ended 9/28/2020	Q2 Ended 1/1/2021	Q3 Ended 3/29/2021	Q4 Ended 7/2/2021
Fiscal 2021				
Restructuring charges	\$ —	\$ —	\$ 1,162	\$ 1,109
Release of valuation allowance	\$ —	\$ —	\$ (92,200)	\$ —

(In thousands)	Q1 Ended 9/27/2019	Q2 Ended 12/27/2019	Q3 Ended 4/3/2020	Q4 Ended 7/3/2020
Fiscal 2020				
Restructuring charges	\$ 1,177	\$ 381	\$ 617	\$ 1,874

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 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's 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 July 2, 2021 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, including our CEO and CFO, assessed our internal control over financial reporting as of July 2, 2021, 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.

BDO USA LLP, the independent registered public accounting firm that audited the consolidated financial statements of the Company included in this Annual Report on Form 10-K, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of July 2, 2021. The report is included in this Item under the heading "Report of Independent Registered Public Accounting Firm."

Inherent Limitations on Effectiveness of Controls

Our management, including our 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

Subsequent Event

On August 25, 2021, our Board of Directors approved a restructuring plan to further reduce operating costs and improve profitability. We estimate the restructuring charges, consist of one-time severance charges, will be

approximately \$0.8 million to be recorded in the first quarter of fiscal 2022. We anticipate it will generate approximately \$0.6 million in annual net savings, the majority of which will be allocated to support growth-related initiatives to be in a stronger position to drive both top- and bottom- line performance.

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 July 2, 2021.

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

We adopted a Code of Conduct that is available at www.aviatnetworks.com. We most recently amended and restated our Code of Conduct on February 10, 2021, and posted it on our website. 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,” which is incorporated herein by reference.

All information required to be disclosed in this Item 10 that is not otherwise contained herein 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 2, 2021	96

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 Section 13 or 15(d) 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: August 25, 2021

By: /s/ Eric Chang

Eric Chang
Senior Vice President, 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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Peter A. Smith</u> Peter A. Smith	President and Chief Executive Officer (Principal Executive Officer)	August 25, 2021
<u>/s/ Eric Chang</u> Eric Chang	Senior Vice President, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	August 25, 2021
<u>/s/ John Mutch</u> John Mutch	Chairman of the Board	August 25, 2021
<u>/s/ Michele Klein</u> Michele Klein	Director	August 25, 2021
<u>/s/ Kenneth Kong</u> Kenneth Kong	Director	August 25, 2021
<u>/s/ Dahlia M. Loeb</u> Dahlia M. Loeb	Director	August 25, 2021
<u>/s/ John Quicke</u> John Quicke	Director	August 25, 2021
<u>/s/ James C. Stoffel</u> James C. Stoffel	Director	August 25, 2021

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

AVIAT NETWORKS, INC.

Years Ended July 2, 2021, July 3, 2020 and June 28, 2019

(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 July 2, 2021	\$ 1,841	\$ 300	\$ —	\$ 2,141
Year ended July 3, 2020	\$ 1,602	\$ 248	\$ 9 ⁽¹⁾	\$ 1,841
Year ended June 28, 2019	\$ 1,588	\$ 120	\$ 106 ⁽²⁾	\$ 1,602

(1) - Consisted of changes to allowance for collection losses of \$0 for foreign currency translation gain and \$9 thousand for uncollectible accounts charged off, net of recoveries on accounts previously charged off.

(2) - Consisted of changes to allowance for collection losses of \$0 for foreign currency translation gain and \$107 thousand for uncollectible accounts charged off, net of recoveries on accounts previously charged off.

EXHIBIT INDEX

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

<u>Ex. #</u>	<u>Description</u>
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	Amended and Restated Bylaws of Aviat Networks, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on September 24, 2020, File No. 001-33278)
4.1	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)
4.2	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)
4.3	Amended and Restated Tax Benefit Preservation Plan, dated as of August 27, 2020, 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 August 31, 2020, File No. 011-33278)
4.4*	Description of Registered Securities
10.1	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)
10.2	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)
10.3+	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)
10.4+	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)
10.5	Third Amended and Restated Loan and Security Agreement, dated as of June 29, 2018, 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, 2018, File No. 001-33278)
10.5.1	Amendment #1 to Third Amended and Restated Loan and Security Agreement, dated as of September 28, 2018, 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 4, 2018, File No. 001-33278)
10.5.2	Amendment #2 to Third Amended and Restated Loan and Security Agreement, dated as of June 10, 2019, 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 12, 2019, File No. 001-33278)
10.5.3	Third Amendment to Third Amended and Restated Loan and Security Agreement, dated as of May 4, 2020, 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 May 5, 2020, File No. 001-33278)
10.5.4	Fourth Amendment to Third Amended and Restated Loan and Security Agreement, dated as of May 17, 2021, by and among Aviat Networks, Inc., Aviat U.S., Inc., Aviat Networks (S) Pte. Ltd. and Silicon Valley Bank (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on May 5, 2020, File No. 001-33278)

Ex. #	Description
10.6	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)
10.7+	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)
10.7.1+	Amendment to Employment Agreement, dated June 20, 2018, between Aviat Networks, Inc. and Eric Chang (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on June 25, 2018, File No. 001-33278)
10.7.2+	Amendment to Employment Agreement, dated April 3, 2020, 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 April 3, 2020, File No. 001-33278)
10.8	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)
10.9+	Employment Agreement, dated January 2, 2020, between Aviat Networks, Inc. and Peter Smith (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on January 2, 2020, File No. 001-33278)
10.9.1+	First Amendment to the Employment Agreement between Aviat Networks, Inc. and Peter Smith, dated May 17, 2021 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on May 18, 2021, File No. 001-33278)
10.9.2+	Second Amendment to Employment Agreement, dated July 4, 2021, between the Company and Pete Smith (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on July 7, 2021, File No. 001-33278)
10.10+	Aviat Networks, Inc. 2018 Incentive Plan (incorporated by reference to Appendix A to the Registrant's Proxy Statement on schedule 14A filed with the SEC on February 12, 2018, 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
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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

* Filed herewith.

** Furnished herewith.

APPENDIX

Stockholder Information

Executive Offices

Aviat Networks, Inc.
200 Parker Drive, Suite C100A
Austin, TX 78728
(512) 265-3680

Independent Public Accountants

BDO USA LLP

Transfer Agent and Registrar

Computershare
PO Box 505000
Louisville, KY 40233-5002

Investor Relations Contact

Investor Relations
InvestorInfo@aviatnet.com

Overnight Correspondence to:

Computershare
462 South 4th Street
Suite 1600
Louisville, KY 40202

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
200 Parker Drive, Suite C100A
Austin, TX 78728

2021 Annual Report

We have published this 2021 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 November 9, 2021. 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

Directors

John Mutch
Chairman of the Board
Aviat Networks

Michele Klein
Director
Intevac Inc.

Kenneth Kong
Sr. Vice President
Steel Services, Ltd.

Dahlia Loeb
Managing Director
Arcadia Investment Partners

John J. Quicke
Former Chairman
Steel Energy Services, Ltd.

Dr. James C. Stoffel
Lead Independent Director
PAR Technology Corporation

Peter Smith
President & CEO
Aviat Networks

Management

Peter Smith
President and Chief Executive Officer

Eric Chang
Sr. Vice President & Chief Financial
Officer

Erin Boase
Vice President of Legal Affairs

Bryan C. Tucker
Sr. Vice President Americas Sales and
Services

Gary Croke
Vice President of Marketing and
Product Line Management

Outside Legal Counsel

Vinson & Elkins LLP
Austin, TX

Headquarters and Operations

Corporate Headquarters

Aviat Networks, Inc.
200 Parker Drive, Suite C100A
Austin, TX 78728
USA

International Headquarters

Aviat Networks (S) Pte. Ltd.
51 Changi Business Park Central 2
#04-10 The Signature
Singapore 486066

Offices

North America

Milpitas, CA
Quebec, Canada
San Antonio, TX

Europe

Munchen, Germany
Meudon La Foret, France
Glasgow, United Kingdom
Ljubljana, Slovenia
Schiphol, The Netherlands

Asia & Pacific Rim

Gurgaon Haryana, India
Taguig, Philippines
Lower Hutt, New Zealand
Shenzhen, China
Clark Freeport Zone, Philippines
Bangkok, Thailand

Latin America

Mexico D.F., Mexico

Africa

Abidjan, Cote d'Ivoire
Accra, Ghana
Nairobi, Kenya
Lagos, Nigeria
Centurion, South Africa

Middle East

Riyadh, Saudi Arabia
Zahle, Lebanon
Dubai, United Arab Emirates

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 2021 Form 10-K.

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WWW.AVIATNETWORKS.COM

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Tel: 408-941-7100