

Harris Stratex Networks, Inc.
Form 10-Q/A
September 25, 2008

Table of Contents

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q/A**

(Mark One)

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

For the quarterly period ended September 28, 2007

or

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

For the transition period from _____ to _____

**Commission File Number 001-33278
HARRIS STRATEX NETWORKS, INC.
(Exact name of registrant as specified in its charter)**

Delaware

20-5961564

(State or other jurisdiction of incorporation or organization)

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

**637 Davis Drive
Morrisville, North Carolina**

27560

(Address of principal executive offices)

(Zip Code)

(919) 767-3250

(Registrant's telephone number, including area code)

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

Class of Stock	Shares Outstanding as of October 31, 2007
Class A Common Stock, par value \$0.01 per share	25,481,829
Class B Common Stock, par value \$0.01 per share	32,913,377
Total shares of common stock outstanding	58,395,206

HARRIS STRATEX NETWORKS, INC.
FORM 10-Q/A
For the Quarter Ended September 28, 2007
INDEX

	Page
<u>Part I. Financial Information:</u>	4
<u>Item 1. Financial Statements (Unaudited)</u>	4
<u>Condensed Consolidated Statements of Operations for the Quarters ended September 28, 2007 (Restated) and September 29, 2006 (Restated)</u>	4
<u>Condensed Consolidated Balance Sheets at September 28, 2007 (Restated) and June 29, 2007 (Restated)</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the Quarters ended September 28, 2007 (Restated) and September 29, 2006 (Restated)</u>	6
<u>Notes to Condensed Consolidated Financial Statements (Unaudited) (Restated)</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	39
<u>Item 4. Controls and Procedures</u>	40
<u>Part II. Other Information:</u>	41
<u>Item 1. Legal Proceedings</u>	41
<u>Item 1A. Risk Factors</u>	41
<u>Item 6. Exhibits</u>	41
<u>Signature</u>	42
<u>Exhibit Index</u>	43
<u>EXHIBIT 15</u>	
<u>EXHIBIT 31.1</u>	
<u>EXHIBIT 31.2</u>	
<u>EXHIBIT 32.1</u>	
<u>EXHIBIT 32.2</u>	

This Quarterly Report on Form 10-Q/A contains trademarks of Harris Stratex Networks, Inc.

Table of Contents

EXPLANATORY NOTE

We have restated our unaudited condensed consolidated financial statements for the quarter ended September 28, 2007 and September 29, 2006 in this Amendment to Form 10-Q (the Form 10-Q/A) to our Quarterly Report on Form 10-Q for the quarter ended September 28, 2007. This Form 10-Q/A also reflects the restatement of Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 4 Controls and Procedures for the quarter ended September 28, 2007 and September 29, 2006. The restatement also affects, and is reflected in, other items in this Form 10-Q/A.

Previously filed (i) interim consolidated financial statements for the quarter ended September 28, 2007 and September 29, 2006 (ii) the annual Consolidated financial statements for the fiscal years ended June 29, 2007, June 30, 2006, and July 1, 2005 included in the Company's Annual Report on Form 10-K for the year ended June 29, 2007 and (iii) related reports of its independent registered public accountants should no longer be relied upon. Specifically, we have restated our unaudited condensed consolidated financial statements related to the following items:

- § Errors in project work in process inventory accounts within a cost accounting system at one location that resulted in project cost variances not being recorded to cost of sales in a timely manner.
- § Errors in the reconciliation of inventory and intercompany accounts receivable accounts which resulted in an overstatement of inventory and accounts receivable in prior years.
- § Errors in prior years' product warranty liability accruals which resulted in the improper exclusion of costs associated with technical assistance service provided by the Company under its standard warranty policy.

The effect of these restatement items reduced stockholders' equity cumulatively by \$11.0 million as of September 28, 2007 and \$11.6 million as of June 29, 2007. Net loss was decreased by \$0.6 million for the quarter ended September 28, 2007 and income was increased by \$0.7 million for the quarter ended September 29, 2006.

This restatement is more fully described in Part I herein under Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations and in Note C Restatement to Previously Issued Financial Statements to such unaudited condensed consolidated financial statements.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.**

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Quarter Ended	
	September 28, 2007 (Restated)	September 29, 2006 (Restated)
	(In millions, except per share amounts)	
Revenue from product sales and services:		
Revenue from external product sales	\$ 148.6	\$ 81.9
Revenue from product sales with Harris Corporation	1.2	0.5
Total revenue from product sales	149.8	82.4
Revenue from services	22.5	11.2
Total revenue from product sales and services	172.3	93.6
Cost of product sales and services:		
Cost of external product sales	(108.9)	(51.9)
Cost of product sales with Harris Corporation	(0.3)	(0.3)
Total cost of product sales	(109.2)	(52.2)
Cost of services	(13.7)	(7.3)
Cost of sales billed from Harris Corporation	(0.6)	(2.6)
Amortization of purchased technology	(1.8)	
Total cost of product sales and services	(125.3)	(62.1)
Gross margin	47.0	31.5
Research and development expenses	(12.4)	(7.5)
Selling and administrative expenses	(27.1)	(14.8)
Selling and administrative expenses with Harris Corporation	(1.7)	(1.6)
Total research, development, selling and administrative expenses	(41.2)	(23.9)
Amortization of identifiable intangible assets	(1.8)	
Restructuring charges	(4.0)	
Corporate allocations expense from Harris Corporation		(1.6)
Operating income		6.0
Interest income	0.7	0.1
Interest expense	(0.7)	(0.2)
Income before provision for income taxes		5.9
Provision for income taxes	(0.2)	(0.4)

Net (loss) income	\$ (0.2)	\$ 5.5
Basic and diluted net loss per share	\$	N/A
Basic and diluted weighted average shares outstanding	58.4	N/A

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

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 28, 2007 (Restated)	June 29, 2007 (Restated)
	(In millions, except per share amounts)	
Assets		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 64.2	\$ 69.2
Short-term investments and available for sale securities	15.1	20.4
Receivables	197.0	183.1
Unbilled costs	48.6	36.9
Inventories	121.5	124.2
Deferred income taxes	5.0	4.1
Other current assets	20.7	21.7
Total current assets	472.1	459.6
<i>Long-Term Assets</i>		
Property, plant and equipment	79.2	80.0
Goodwill	315.1	324.7
Identifiable intangible assets	141.0	144.5
Capitalized software	9.7	9.7
Non-current notes receivable	4.6	5.3
Non-current deferred income taxes	0.6	0.5
Other assets	1.9	1.2
Total long-term assets	552.1	565.9
Total assets	\$ 1,024.2	\$ 1,025.5
Liabilities and Shareholders Equity		
<i>Current Liabilities</i>		
Short-term debt	\$	\$ 1.2
Current portion of long-term debt	9.2	10.7
Accounts payable	92.1	84.7
Compensation and benefits	12.4	11.5
Other accrued items	46.1	45.8
Advance payments and unearned income	22.3	22.3
Income taxes payable	5.5	6.8
Restructuring liabilities	10.7	10.8
Current portion of long-term capital lease obligation to Harris Corporation	2.5	3.1
Due to Harris Corporation	20.2	17.2
Total Current Liabilities	221.0	214.1
<i>Long-Term Liabilities</i>		

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Long-term debt	7.5	8.8
Long-term portion of capital lease obligation to Harris Corporation	1.4	2.8
Restructuring and other long-term liabilities	9.9	11.8
Redeemable preference shares	8.3	8.3
Warrants	3.4	3.9
Deferred income taxes	20.2	29.4
Total Liabilities	271.7	279.1
<i>Commitments and contingencies</i>		
<i>Shareholders' Equity</i>		
Preferred stock, \$0.01 par value; 50,000,000 shares authorized; none issued		
Common stock, Class A, \$0.01 par value; 300,000,000 shares authorized; issued and outstanding 25,478,101 shares at September 28, 2007 and 25,400,856 shares at June 29, 2007	0.3	0.3
Common stock, Class B \$0.01 par value; 100,000,000 shares authorized; issued and outstanding 32,913,377 shares at September 28, 2007 and June 29, 2007	0.3	0.3
Additional paid-in-capital	773.3	770.0
Accumulated deficit	(24.4)	(24.2)
Accumulated other comprehensive income	3.0	
Total Shareholders' Equity	752.5	746.4
Total Liabilities And Shareholders' Equity	\$ 1,024.2	\$ 1,025.5

See accompanying Notes to Consolidated Financial Statements.

Table of Contents

HARRIS STRATEX NETWORKS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited)

	Quarter Ended	
	September	September
	28,	29,
	2007	2006
	(Restated)	(Restated)
	(In millions)	
Operating Activities		
Net (loss) income	\$ (0.2)	\$ 5.5
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Amortization of identifiable intangible assets acquired in the Stratex acquisition	3.6	
Depreciation and amortization of property, plant and equipment and capitalized software	5.3	3.3
Non-cash stock-based compensation expense	2.0	
Increase in fair value of warrants	(0.5)	
Deferred income tax expense	0.2	
Changes in operating assets and liabilities:		
Receivables	(13.2)	(1.7)
Unbilled costs and inventories	(9.0)	(1.6)
Accounts payable and accrued expenses	8.6	(1.2)
Advance payments and unearned income		4.0
Due to Harris Corporation	3.0	(9.5)
Other	2.3	0.2
Net cash provided by (used in) operating activities	2.1	(1.0)
Investing Activities		
Purchases of short-term investments and available for sale securities	(4.0)	
Sales of short-term investments and available for sale securities	9.3	
Additions of property, plant and equipment	(2.1)	(0.2)
Additions of capitalized software	(4.2)	(1.1)
Net cash used in investing activities	(1.0)	(1.3)
Financing Activities		
Decrease in short-term debt	(1.2)	(0.1)
Payments on long-term debt	(2.8)	
Payments on long-term capital lease obligation to Harris Corporation	(2.0)	
Proceeds from exercise of former Stratex stock options	0.9	
Net cash and other transfers from Harris Corporation prior to the Stratex acquisition		2.7
Net cash (used in) provided by financing activities	(5.1)	2.6
Effect of exchange rate changes on cash and cash equivalents	(1.0)	0.3

Net (decrease) increase in cash and cash equivalents	(5.0)		0.6
Cash and cash equivalents, beginning of year	69.2		13.8
Cash and cash equivalents, end of quarter	\$ 64.2	\$	14.4

See accompanying Notes to Consolidated Financial Statements.

6

Table of Contents

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 28, 2007

(Unaudited)

Note A Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of Harris Stratex Networks, Inc. and its wholly-owned and majority-owned subsidiaries (we, us, and our) and have been prepared by us, without an audit, in accordance with accounting principles generally accepted in the United States for interim financial information and with the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, they do not include all information and footnotes necessary for a complete presentation of financial position, results of operations and changes in cash flows in conformity with U.S. generally accepted accounting principles. In the opinion of our management, such financial statements reflect all adjustments (consisting only of normal, recurring adjustments) considered necessary for a fair presentation of financial position, results of operations and cash flows for such periods.

The results for the quarter ended September 28, 2007 are not necessarily indicative of the results that may be expected for the full fiscal year or any subsequent period. The balance sheet at June 29, 2007 has been derived from our audited financial statements but does not include all the information and footnotes required by generally accepted accounting principles in the United States for annual financial statements. We provide complete financial statements in our Annual Report on Form 10-K/A, which includes information and footnotes required by the rules and regulations of the SEC. The information included in this Quarterly Report on Form 10-Q/A should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and accompanying Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K/A for the fiscal year ended June 29, 2007 (Fiscal 2007 Form 10-K/A).

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the amounts reported in the condensed financial statements and accompanying notes. Actual results could differ from those results and estimates.

Prior to January 26, 2007, we were a division of Harris Corporation (Harris). For periods prior to January 26, 2007, our consolidated financial statements include the accounts of the MCD and Harris subsidiaries classified as part of MCD, our financial reporting predecessor entity. These financial statements have been determined to be the historical financial statements of Harris Stratex Networks, Inc. As used in these notes, the term MCD refers to the consolidated operations of the Microwave Communications Division of Harris.

For periods prior to January 26, 2007, our historical financial statements are presented on a carve-out basis and reflect the assets, liabilities, revenue and expenses that were directly attributable to MCD as it was operated within Harris.

Our condensed consolidated statements of operations include all of the related costs of doing business, including an allocation of certain general corporate expenses of Harris, which were in support of MCD, including costs for finance, legal, treasury, purchasing, quality, environmental, safety, human resources, tax, audit and public relations departments and other corporate and infrastructure costs. We were allocated \$1.6 million for these general corporate expenses from Harris during the quarter ended September 29, 2006. These costs represented approximately 9.9% of the total cost of these allocated services in the quarter ended September 29, 2006. These cost allocations were based primarily on a ratio of our revenue to total Harris revenue, multiplied by the total headquarters expense of Harris. The allocation of Harris overhead expenses to us concluded on January 26, 2007. We believe these allocations were made on a reasonable basis. Harris currently owns approximately 56% of our common stock.

On January 26, 2007, we acquired Stratex Networks, Inc. (Stratex). The results of operations and cash flows of Stratex were not included in any of our consolidated financial statements before January 26, 2007.

Note B Recent Accounting Pronouncements

Accounting for Uncertain Tax Positions

On June 30, 2007, we adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109 (FIN 48). FIN 48 prescribes a more-likely-than-not threshold for the recognition and derecognition of tax positions, provides guidance on the

accounting for interest and penalties relating to tax positions and requires that the

7

Table of Contents

cumulative effect of applying the provisions of FIN 48 shall be reported as an adjustment to the opening balance in retained earnings (deficit) or other appropriate components of equity or net assets. Refer to Note O Income Taxes , for additional information relating to our accounting for FIN 48 and income taxes.

Note C Restatement of Previously Issued Financial Statements

As previously announced on July 30, 2008, Harris Stratex Networks, Inc. and its Audit Committee concluded that our consolidated financial statements for the fiscal years ended June 29, 2007, June 30, 2006 and July 1, 2005 and for the first three quarters of the fiscal year ended June 27, 2008 would be restated for the correction of errors contained in those consolidated financial statements. The effect of these restatement items reduced shareholders' equity cumulatively by \$11.0 million as of September 28, 2007 and \$11.6 million as of June 29, 2007. Previously reported net loss was decreased by \$0.6 million for the quarter ended September 28, 2007 and income was increased by \$0.7 million for the quarter ended September 29, 2006. The restatement had no impact on our net cash flows from operations, financing activities or investing activities. Details of the nature of the corrections are as follows:

Inventory

Project costs are accumulated in work in process inventory accounts in our cost accounting systems. As products are shipped or otherwise meet our revenue recognition criteria, these project costs are recorded to cost of sales. Estimates may be required at the point of sale if certain costs have been incurred, but not yet invoiced to us. On a routine and periodic basis, we review the work in process balances related to these projects to ensure all appropriate costs have been recorded to cost of sales in a timely manner and in the period to which they relate.

During the fiscal year 2008, we determined that this review had not been performed in a manner sufficient to identify significant project cost variances remaining in certain inventory accounts, and that the resulting errors impacted prior quarters and prior years. To correct this error, we decreased work in process inventory compared to amounts previously recorded by \$10.2 million and \$9.6 million as of September 28, 2007 and June 29, 2007, respectively, increased cost of external product sales and services by \$0.6 million for the quarter ended September 28, 2007 and decreased cost of external product sales and services by \$0.6 million for the quarter ended September 29, 2006.

Inventory and Intercompany Account Reconciliations

During the course of the year end close for the fiscal year ending June 27, 2008, we determined that certain account reconciliation adjustments recorded in the fourth quarter of fiscal 2008, which related primarily to inventory and intercompany accounts receivable accounts, should have been recorded in prior quarters or prior years. We determined that certain manual controls had not been performed for certain periods, resulting in accounting errors. More specifically, we identified errors in the work in process inventory balances resulting from incorrect account reconciliation processes. To correct this error, we recorded adjustments to decrease inventory compared to amounts previously recorded by \$3.4 million and \$1.9 million as of September 28, 2007 and June 29, 2007, respectively, increase cost of external product sales by \$1.5 million for the quarter ended September 28, 2007, and decrease the cost of external product sales by \$0.1 million for the quarter ended September 29, 2006.

We also identified errors in accounts receivable balances as a result of control deficiencies in the recording and elimination of intercompany transactions. To correct this error, we increased accounts receivable by \$0.9 million for the quarter ended September 28, 2007 and decreased accounts receivable by \$2.2 million at June 29, 2007, and increased selling and administrative expenses by \$3.1 million for the quarter ended September 28, 2007.

Warranty Liability

Our liability for product warranties contains the estimated accrual for certain technical assistance services provided under our standard warranty policy. We determined that these costs had not been properly included in the warranty liability estimates in the balance sheet of Stratex at the date of acquisition. To correct this error, we recorded an adjustment to increase the warranty liability and increase goodwill related to the Stratex acquisition by \$1.1 million at June 29, 2007.

Deferred Tax Liability

Taking into consideration the restatement adjustments described above, we reassessed our income tax provision in accordance with Statement 109. As a result, we recorded an adjustment to decrease the deferred tax liability balance by \$1.7 million and \$2.1 million as of September 28, 2007 and June 29, 2007, respectively, and to decrease the income tax benefit by \$0.4 million for the quarter ended September 28, 2007. For periods prior to January 26, 2007,

income tax expense was determined as if MCD had been a stand-alone entity, although the actual tax liabilities and tax consequences applied only to Harris. Our income tax expense for those periods relates to income taxes paid or to be paid in foreign

Table of Contents

jurisdictions for which net operating loss carryforwards were not available and domestic taxable income is deemed offset by tax loss carryforwards for which an income tax valuation allowance had been previously provided for in the financial statements. Thus, there was no change in our tax provision for periods prior to fiscal 2007.

The following tables present the impact of the restatement adjustments on our previously reported consolidated balance sheets as of September 28, 2007 and June 29, 2007, as well as the impact on our previously reported consolidated statements of operations and cash flows for the quarters ended September 28, 2007 and September 29, 2006.

QUARTERLY CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	For the quarter ended September 28, 2007		
	As		
	Previously		As
	Reported	Adjustments (In millions)	Restated
Revenue	\$ 172.3	\$	\$ 172.3
Gross margin	49.1	(2.1)	47.0
Loss from operations	(1.0)	1.0	
Net loss	\$ (0.8)	\$ 0.6	\$ (0.2)
Basic and diluted net loss per common share	\$ (0.01)	\$	\$

	For the quarter ended September 29, 2006		
	As		
	Previously		As
	Reported	Adjustments (In millions)	Restated
Revenue	\$ 93.6	\$	\$ 93.6
Gross margin	30.8	0.7	31.5
Income from operations	5.3	0.7	6.0
Net income	\$ 4.8	\$ 0.7	\$ 5.5
Basic and diluted net loss per common share	N/A	N/A	N/A

Table of Contents**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

As of September 28, 2007

	As Previously Reported	Adjustments (In millions)	As Restated
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 64.2	\$	\$ 64.2
Short-term investments and available for sale securities	15.1		15.1
Receivables	196.1	0.9	197.0
Unbilled costs	48.6		48.6
Inventories	135.1	(13.6)	121.5
Deferred income taxes	5.0		5.0
Other current assets	20.7		20.7
Total current assets	484.8	(12.7)	472.1
<i>Long-Term Assets</i>			
Property, plant and equipment	79.2		79.2
Goodwill	314.0	1.1	315.1
Identifiable intangible assets	141.0		141.0
Other long-term assets	16.8		16.8
Total long-term assets	551.0	1.1	552.1
Total assets	\$ 1,035.8	\$ (11.6)	\$ 1,024.2
LIABILITIES AND SHAREHOLDERS EQUITY			
<i>Current Liabilities</i>			
Short-term debt	\$	\$	\$
Current portion of long-term debt	9.2		9.2
Accounts payable	92.1		92.1
Compensation and benefits	12.4		12.4
Other accrued items	45.0	1.1	46.1
Advance payments and unearned income	22.3		22.3
Income taxes payable	5.5		5.5
Restructuring liabilities	10.7		10.7
Current portion of long-term capital lease obligation to Harris Corporation	2.5		2.5
Due to Harris Corporation	20.2		20.2
Total current liabilities	219.9	1.1	221.0
<i>Long-term Liabilities</i>	52.4	(1.7)	50.7
Total liabilities	272.3	(0.6)	271.7
Total shareholders equity	763.5	(11.0)	752.5

Total liabilities and shareholders' equity	\$ 1,035.8	\$ (11.6)	\$ 1,024.2
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Table of Contents

	As of June 29, 2007		
	As Previously Reported	Adjustments (In millions)	As Restated
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 69.2	\$	\$ 69.2
Short-term investments and available for sale securities	20.4		20.4
Receivables	185.3	(2.2)	183.1
Unbilled costs	36.9		36.9
Inventories	135.7	(11.5)	124.2
Deferred income taxes	4.1		4.1
Other current assets	21.7		21.7
Total current assets	473.3	(13.7)	459.6
<i>Long-Term Assets</i>			
Property, plant and equipment	80.0		80.0
Goodwill	323.6	1.1	324.7
Identifiable intangible assets	144.5		144.5
Other long-term assets	16.7		16.7
Total long-term assets	564.8	1.1	565.9
Total assets	\$ 1,038.1	\$ (12.6)	\$ 1,025.5
LIABILITIES AND SHAREHOLDERS EQUITY			
<i>Current Liabilities</i>			
Short-term debt	\$ 1.2	\$	\$ 1.2
Current portion of long-term debt	10.7		10.7
Accounts payable	84.7		84.7
Compensation and benefits	11.5		11.5
Other accrued items	44.7	1.1	45.8
Advance payments and unearned income	22.3		22.3
Income taxes payable	6.8		6.8
Restructuring liabilities	10.8		10.8
Current portion of long-term capital lease obligation to Harris Corporation	3.1		3.1
Due to Harris Corporation	17.2		17.2
Total current liabilities	213.0	1.1	214.1
<i>Long-term Liabilities</i>	67.1	(2.1)	65.0
Total Liabilities	280.1	(1.0)	279.1
Total shareholders equity	758.0	(11.6)	746.4

Total liabilities and shareholders' equity	\$ 1,038.1	\$ (12.6)	\$ 1,025.5
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Table of Contents**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	For the quarter ended September 28, 2007		
	As Previously Reported	Adjustments (In millions)	As Restated
Net loss	\$ (0.8)	\$ 0.6	\$ (0.2)
Net cash provided by operating activities	2.1		2.1
Amortization of identifiable intangible assets acquired in the Stratex acquisition	3.6		3.6
Depreciation and amortization of property, plant and equipment and capitalized software	5.3		5.3
Non-cash stock-based compensation expense	2.0		2.0
Increase in fair value of warrants	(0.5)		(0.5)
Deferred income tax expense	(0.2)	0.4	0.2
Changes in operating assets and liabilities:			
Receivables	(10.1)	(3.1)	(13.2)
Unbilled costs and inventories	(11.0)	2.0	(9.0)
Accounts payable and accrued expenses	8.5	0.1	8.6
Advance payments and unearned income			
Due to Harris Corporation	3.0		3.0
Other	2.3		2.3
Net cash used in investing activities	(1.0)		(1.0)
Net cash used in financing activities	(5.1)		(5.1)
Effect of exchange rate changes on cash and cash equivalents	(1.0)		(1.0)
Net decrease in cash and cash equivalents	(5.0)		(5.0)
Cash and cash equivalents, beginning of year	\$ 69.2		\$ 69.2
Cash and cash equivalents, end of year	\$ 64.2	\$	\$ 64.2

Table of Contents

	For the quarter ended September 29, 2006		
	As Previously Reported	Adjustment (In millions)	As Restated
Net income	\$ 4.8	\$ 0.7	\$ 5.5
Net cash used in operating activities	(1.0)		(1.0)
Amortization of identifiable intangible assets acquired in the Stratex acquisition			
Depreciation and amortization of property, plant and equipment and capitalized software	3.3		3.3
Non-cash stock-based compensation expense			
Increase in fair value of warrants			
Deferred income tax expense			
Changes in operating assets and liabilities:			
Receivables	(1.6)	(0.1)	(1.7)
Unbilled costs and inventories	(0.9)	(0.7)	(1.6)
Accounts payable and accrued expenses	(1.3)	0.1	(1.2)
Advance payments and unearned income	4.0		4.0
Due to Harris Corporation	(9.5)		(9.5)
Other	0.2		0.2
Net cash used in investing activities	(1.3)		(1.3)
Net cash provided by financing activities	2.6		2.6
Effect of exchange rate changes on cash and cash equivalents	0.3		0.3
Net increase in cash and cash equivalents	0.6		0.6
Cash and cash equivalents, beginning of year	\$ 13.8		\$ 13.8
Cash and cash equivalents, end of year	\$ 14.4	\$	\$ 14.4

Table of Contents**Note D Short-Term Investments and Available for Sale Securities**

Short-term investments and available for sale securities as of September 28, 2007 consisted of the following:

	Cost	September 28, 2007		Market Value
		Gross Unrealized Gain	Gross Unrealized Loss	
		(In millions)		
Corporate notes	\$ 11.0	\$	\$	\$ 11.0
Government notes	3.6			3.6
Auction rate securities	0.5			0.5
 Total short-term investments and available for sale securities	 \$ 15.1	 \$	 \$	 \$ 15.1

With the exception of the auction rate securities, all of the Company's short-term investments and available for sale securities have maturity dates of less than one year, with a weighted average maturity of 123 days. Our auction rate securities have maturities in perpetuity or extending through August 2038, with interest rates resetting generally every 28 days.

Table of Contents**Note E Accumulated Other Comprehensive Income (Loss) and Comprehensive Income (Restated)**

The changes in components of our accumulated other comprehensive income (loss) during the quarters ended September 28, 2007 and September 29, 2006 were as follows:

	Foreign Currency Translation	Hedging Derivatives	Short-Term Investments and Available for Sale Securities (In millions)	Total Accumulated Other Comprehensive Income (Loss)
Balance at June 29, 2007	\$	\$	\$	\$
Foreign currency translation	2.7			2.7
Net unrealized gain on hedging activities, net of \$0 tax		0.3		0.3
Balance at September 28, 2007	\$ 2.7	\$ 0.3	\$	\$ 3.0
Balance at June 30, 2006	(1.5)	0.1		(1.4)
Foreign currency translation	0.3			0.3
Net unrealized loss on hedging activities, net of \$0 tax		(0.1)		(0.1)
Balance at September 29, 2006	\$ (1.2)	\$	\$	\$ (1.2)

Total comprehensive income for the quarters ended September 28, 2007 and September 29, 2006 was comprised of the following:

	September 28, 2007 (Restated)	September 29, 2006 (Restated)
	(In millions)	
Net (loss) income	\$ (0.2)	\$ 5.5
Other comprehensive income:		
Foreign currency translation	2.7	0.3
Net unrealized gain (loss) on hedging activities	0.3	(0.1)
Total comprehensive income	\$ 2.8	\$ 5.7

Note F Receivables (Restated)

Our receivables are summarized below:

As of September 28, 2007 (Restated)	As of June 29, 2007 (Restated)
---	--------------------------------------

	(In millions)	
Accounts receivable	\$ 202.0	\$ 188.3
Notes receivable due within one year net	3.4	3.3
	205.4	191.6
Less allowances for collection losses	(8.4)	(8.5)
	\$ 197.0	\$ 183.1

Note G Inventories (Restated)

Our inventories are summarized below:

	As of September 28, 2007 (Restated)	As of June 29, 2007 (Restated)
	(In millions)	
Finished products	\$ 50.6	\$ 52.9
Work in process	24.1	17.1
Raw materials and supplies	63.5	68.4
	138.2	138.4
Inventory reserves	(16.7)	(14.2)
	\$ 121.5	\$ 124.2

Table of Contents**Note H Property, Plant and Equipment**

Our property, plant and equipment are summarized below:

	As of September 28, 2007	As of June 29, 2007
	(In millions)	
Land	\$ 1.3	\$ 1.3
Buildings	28.1	30.8
Software developed for internal use	6.7	3.0
Machinery and equipment	122.5	123.3
	158.6	158.4
Less allowances for depreciation and amortization	(79.4)	(78.4)
	\$ 79.2	\$ 80.0

Depreciation and amortization expense related to plant and equipment, including software amortization, was \$4.6 million and \$3.3 million during the quarters ended September 28, 2007 and September 29, 2006.

Note I Credit Facility and Debt

Our debt consisted of the following at September 28, 2007 and June 29, 2007:

	As of September 28, 2007	As of June 29, 2007
	(In millions)	
Credit Facility with Bank:		
Term Loan A	\$ 4.2	\$ 5.7
Term Loan B	12.5	13.8
Other short-term notes		1.2
Total	16.7	20.7
Less other short-term notes		(1.2)
Less current portion	(9.2)	(10.7)
Long-term debt	\$ 7.5	\$ 8.8

As part of the Stratex acquisition, we assumed the existing credit facility of Stratex with a commercial bank (the Credit Facility). The Credit Facility allows for revolving credit borrowings of up to \$50 million with available credit defined as \$50 million less the outstanding balance of our term loans (\$16.7 million as of September 28, 2007) and any usage under the revolving credit portion which includes our outstanding standby letters of credit (\$6.7 million as of September 28, 2007). The Credit Facility is unsecured. The fair value of our debt approximates book values as of September 28, 2007.

Term Loan A of the Credit Facility requires monthly principal payments of \$0.5 million plus interest at a fixed rate of 6.38% through May 2008. Term Loan B requires monthly principal payments of \$0.4 million plus interest at a fixed rate of 7.25% through March 2010.

The credit facility agreement contains a minimum tangible net worth covenant and a liquidity ratio covenant. As of September 28, 2007, we were in compliance with these financial covenants.

As of September 28, 2007, our future principal payment obligations on long-term debt under the Credit Facility were as follows:

	Years Ending in June
	(In millions)
2008	\$ 7.9
2009	5.0
2010	3.8
Total	\$ 16.7

Table of Contents

We have other uncommitted short-term lines of credit aggregating \$11.2 million from various international banks, all of which was available on September 28, 2007. These lines provide for borrowings at various interest rates, typically may be terminated upon notice, may be used on such terms as mutually agreed to by the banks and us and are reviewed annually for renewal or modification.

Note J Accrued Warranties (Restated)

We have accrued for the estimated cost to repair or replace products under warranty at the time of sale. Changes in warranty liability, which is included as a component of Other accrued items on the condensed consolidated balance sheets, during the quarters ended September 28, 2007 and September 29, 2006 were as follows:

	Quarter Ended	
	September 28, 2007 (Restated)	September 29, 2006 (Restated)
	(In millions)	
Balance as of the beginning of the year	\$ 6.7	\$ 3.9
Warranty provision for revenue recorded during the quarter	1.9	0.5
Settlements made during the quarter	(2.2)	(0.5)
Balance as of the end of the quarter	\$ 6.4	\$ 3.9

Note K Warrants

As part of the Stratex acquisition, we assumed warrants to purchase shares of our Class A common stock. As of September 28, 2007, warrants to purchase 520,445 shares of our Class A common stock were outstanding. These warrants have an exercise price of \$11.80 per common share and will expire on September 24, 2009. The per share fair value of each warrant was \$6.53 and \$7.43 on September 28, 2007 and June 29, 2007, respectively, determined based on the Black-Scholes-Merton model with the assumptions listed in the table below.

	September 28, 2007	June 29, 2007
Dividend yield	0.0%	0.0%
Expected volatility	39.6%	43.1%
Risk-free interest rate	4.14%	4.91%
Expected holding period	1.00 year	1.25 year

As a result of recording these outstanding warrants at fair value at September 28, 2007, we recorded the change in fair value during the quarter ended September 28, 2007 as a \$0.5 million decrease to selling and administrative expenses on our condensed consolidated statements of operations. During the quarter ended September 28, 2007, there were no warrants exercised.

Note L Restructuring Activities

In order to improve operating efficiencies and create synergies through the consolidation of facilities, we implemented restructuring plans in fiscal 2007 to scale down our operations in Canada, France, the U.S. and Mexico. We began implementation of a plan in February 2007 to scale down operations in Montreal, Canada and, to a lesser extent, in the U.S. In the initial phase of this plan, notices were sent to approximately 200 employees in Montreal that their employment would be terminated between March 30, 2007 and December 31, 2007. We also began implementation of a plan in June 2007 to scale down operations in Paris, France and, to a lesser extent, Mexico City, Mexico. Notices were sent to 12 employees in Paris and 3 employees in Mexico City that their employment would be terminated by December 31, 2007.

In the first quarter of fiscal 2008, we recorded an additional \$4.0 million of restructuring charges in connection with implementation of these fiscal 2007 plans. The cost of these plans as they relate to the reductions in force during the

first quarter of fiscal 2007 consisted primarily of retention, severance and other benefits totaling \$2.3 million. Also, during the first quarter of fiscal 2008, we commenced the exit of our facilities in Montreal and Redwood Shores, California. We recognized as part of restructuring expense approximately \$1.8 million in Montreal relating to the write-off of fixed assets and leasehold improvements (\$1.3 million), the impairment of a lease (\$0.3 million) and inventory (\$0.2 million). We also recognized the impairment of our lease in Redwood Shores (\$0.5 million). These charges to restructuring in the first quarter of fiscal 2008 were partially offset by \$0.3 million for the reduction in severance estimated to be paid in France and a \$0.3 million reduction in the amount estimated to close out our restructuring liability in connection with our fiscal year 2006 restructuring plan to transfer our Montreal manufacturing activities to our San Antonio, Texas facility.

Table of Contents

In the third quarter of fiscal 2007, in connection with the Stratex acquisition on January 26, 2007, we recognized \$12.0 million of restructuring liabilities representing the fair value of Stratex restructuring liabilities incurred prior to, and not related to, the acquisition as summarized in the table below. These charges relate to building lease obligations at four of Stratex's U.S. facilities. In the quarter ended September 28, 2007, we made payments of \$0.7 million on these leases, which reduced the liability by \$0.5 million, net of \$0.2 million in interest expense. Also during the quarter ended September 28, 2007, new information became available with regard to our utilization of the space under these building lease obligations, and we reduced our restructuring liability by \$1.4 million with an offsetting decrease to goodwill under purchase accounting.

The information in the following table summarizes our restructuring activity during the quarter ended September 28, 2007 and the remaining restructuring liability as of September 28, 2007.

	Severance and Benefits	Facilities and Other	Total
		(In millions)	
Restructuring liability at June 29, 2007	\$ 7.8	\$ 10.8	\$ 18.6
Provision in the quarter ended September 28, 2007	2.3	2.3	4.6
Release of accrual to statement of operations in the quarter ended September 28, 2007	(0.6)		(0.6)
Amount credited to goodwill in the quarter ended September 28, 2007		(1.4)	(1.4)
Non-cash charges in the quarter ended September 28, 2007		(1.5)	(1.5)
Cash payments in the quarter ended September 28, 2007	(1.6)	(1.3)	(2.9)
Restructuring liability at September 28, 2007	\$ 7.9	\$ 8.9	\$ 16.8
Current portion of restructuring liability at September 28, 2007	\$ 7.9	\$ 2.8	10.7
Long-term portion of restructuring liability at September 28, 2007		6.1	6.1
Total restructuring liability at September 28, 2007	\$ 7.9	\$ 8.9	\$ 16.8

Our fiscal year 2007 restructuring plans were expected to be fully implemented by December 31, 2007. The following table summarizes our costs incurred through September 28, 2007 and costs expected to be incurred for our fiscal 2007 restructuring plans:

	Total Costs Incurred During The Quarter Ended September 28, 2007	Total Costs Incurred through September 28, 2007	Cumulative Costs Incurred through September 28, 2007	Estimated Additional Costs to be Incurred	Total Restructuring Costs Expected to be Incurred
North America Microwave:					
Severance and benefits	\$ 5.1	\$ 1.5	\$ 6.6	\$ 1.1	\$ 7.7

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Facilities and other			2.3		2.3		2.7		5.0
Total North America Microwave	\$ 5.1	\$	3.8	\$	8.9	\$	3.8	\$	12.7
International Microwave:									
Severance and benefits	\$ 4.2	\$	0.2	\$	4.4	\$		\$	4.4
Facilities and other							0.4		0.4
Total International Microwave	\$ 4.2	\$	0.2	\$	4.4	\$	0.4	\$	4.8
Totals	\$ 9.3	\$	4.0	\$	13.3	\$	4.2	\$	17.5

Note M Share-Based Compensation

Compensation expense for share-based awards was \$2.4 million and \$0.4 million for the quarters ended September 28, 2007 and September 29, 2006. Amounts were included in our consolidated statements of operations as follows:

	Quarter Ended	
	September	September 29,
	28,	2006
	2007	
	(In millions)	
Cost of product sales and services	\$ 0.2	\$
Research and development expenses	0.5	
Selling and administrative expenses	1.7	0.4
Total compensation expense	\$ 2.4	\$ 0.4

Table of Contents

We did not grant any share-based awards during the quarter ended September 28, 2007. The share-based compensation expense recorded during the first quarter of fiscal 2008 related solely to recognition of costs associated with grants issued prior to June 29, 2007.

We issued 77,245 shares during the quarter ended September 28, 2007 upon the exercise of stock options.

Note N Business Segments (Restated)

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

During the first quarter of fiscal 2008, we had one customer in Africa (Mobile Telephone Networks or MTN) that accounted for 11% of our total revenue.

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

	Quarter Ended	
	September 28, 2007 (Restated)	September 29, 2006 (Restated)
	(In millions)	
Revenue		
North America Microwave	\$ 56.6	\$ 49.9
International Microwave	109.2	39.3
Network Operations	6.5	4.4
Total Revenue	\$ 172.3	\$ 93.6
Income Before Income Taxes		
Segment Operating (Loss) Income:		
North America Microwave (1)	\$ (0.3)	\$ 3.7
International Microwave (2)	(0.5)	3.6
Network Operations	0.8	0.3
Corporate allocations expense from Harris		(1.6)
Net interest expense		(0.1)
Income before income taxes	\$	\$ 5.9

(1) During the first quarter of fiscal 2008, we recorded \$0.6 million in amortization of developed technology, tradenames,

customer relationships, and non-compete agreements, \$0.2 million in amortization of the step-up in the fair value of fixed assets related to the acquisition of Stratex, \$3.8 million in restructuring charges, \$1.0 million in merger-related integration charges, \$0.8 million in charges for impairment of a lease agreement and \$2.3 million in FAS 123R share-based compensation in our North America Microwave segment.

- (2) During the first quarter of fiscal 2008, we recorded \$3.0 million in amortization of developed technology, tradenames, customer relationships, and non-compete agreements, \$0.5 million in amortization of the step-up in the fair value of

fixed assets
related to the
acquisition of
Stratex,
\$0.2 million in
restructuring
charges,
\$1.8 million in
merger related
integration
charges and
\$0.1 million in
FAS 123R
share-based
compensation in
our International
Microwave
segment.

Note O Income Taxes (Restated)

The income tax benefit for the current fiscal quarter reflects our pre-tax loss and was based on our estimated annual effective tax. The income tax provision for the quarter ended September 28, 2007 was \$0.2 million. The variation between income taxes and income tax expense at the U.S. statutory rate of 35% is primarily due to the consolidation of our foreign operations, which are subject to income taxes at lower statutory rates.

Table of Contents

The income tax provision on income from operations for the quarter ended September 29, 2006 was \$0.4 million and is based upon an allocation of tax expense from Harris Corporation.

During the first quarter of fiscal 2008, we updated our purchase accounting adjustment under Statement of Financial Accounting Standards No. 141 for the fair value of deferred tax liabilities acquired in the Stratex acquisition, which resulted in a reduction to long-term deferred tax liabilities and goodwill of \$9.5 million.

We adopted the provisions of FIN 48 on June 30, 2007. FIN 48 prescribes a comprehensive model for financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. As a result of adopting FIN 48, there was an insignificant decrease in our retained earnings and a corresponding increase in tax liabilities.

At June 30, 2007, we had a liability for unrecognized tax benefits of \$28.1 million for various federal, foreign, and state income tax matters. The adoption of FIN 48 resulted in a reclassification of deferred tax asset items which included a full valuation allowance, as well as goodwill for appropriate balance sheet presentation. If the unrecognized tax benefits associated with these positions are ultimately recognized, they would not have a material impact on our effective tax rate or our financial position.

We account for interest and penalties related to unrecognized tax benefits as part of our provision for federal, foreign, and state income tax expense. We accrued an insignificant amount at June 30, 2007 for the payment of any such interest. We recorded an insignificant amount for such interest in the quarter ended September 28, 2007. No penalties have been accrued.

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

We have a number of years with open tax audits which vary from jurisdiction to jurisdiction. Our major tax jurisdictions include the U.S., Nigeria, Singapore, New Zealand, Poland, South Africa, France and the UK. The earliest years still open and subject to ongoing audits as of the date of adoption of FIN 48 for these jurisdictions are as follows: (i) United States (Federal/State) 2003/2002; (ii) Nigeria 2003; (iii) Singapore 2000; (iv) New Zealand 2003; (v) Poland 2003; (vi) South Africa 2001; (vii) France 2005; and (viii) UK 2006.

Note P Related Party Transactions with Harris

Harris provided information services, human resources, financial shared services, facilities, legal support and supply chain management services to us. Prior to the Stratex acquisition, the charges for these services were billed to us primarily based on actual usage. During the quarter ended September 29, 2006, Harris charged us \$1.6 million for these services.

On January 26, 2007, we entered into a Transition Services Agreement with Harris to provide for certain services during the periods subsequent to the Stratex acquisition. These services also are charged to us based primarily on actual usage and include database management, supply chain operating systems, eBusiness services, sales and service, financial systems, back office material resource planning support, HR systems, internal and information systems shared services support, network management and help desk support, and server administration and support. During the quarter ended September 28, 2007, Harris charged us \$1.7 million for these services.

We have sales to, and purchases from, other Harris entities from time to time. Prior to January 26, 2007, the entity initiating the transaction sold to the other Harris entity at cost or transfer price, depending on jurisdiction. The entity making the sale to the end customer recorded the profit on the transaction above cost or transfer price, depending on jurisdiction. Subsequent to January 26, 2007, these purchases and sales are recorded at market price. Our sales to other Harris entities were \$1.2 million and \$0.5 million for the quarters ended September 28, 2007 and September 29, 2006. We also recognized costs associated with related party purchases from Harris of \$0.6 million and \$2.6 million for the quarters ended September 28, 2007 and September 29, 2006, respectively.

Harris was the primary source of our financing and equity activities through January 26, 2007, the date of the Stratex acquisition. During the quarter ended September 29, 2006, Harris net investment in us was increased by \$2.7 million. Additionally, through the date of the Stratex acquisition, Harris loaned cash to us to fund our international entities and, we distributed excess cash back to Harris. This arrangement ended on January 26, 2007. We recognized interest income and expense on these loans. The amount of interest income and expense for the quarter ended September 29, 2006 was not significant.

Table of Contents

The amounts billed from Harris are included within Due to Harris Corporation on the condensed consolidated balance sheets. Additionally, we have other receivables and payables in the normal course of business with Harris. These amounts are netted within Due to Harris Corporation on the condensed consolidated balance sheets. Total receivables from Harris were \$2.0 million and \$0.7 million at September 28, 2007 and June 29, 2007. Total payables to Harris were \$22.2 million and \$17.9 million at September 28, 2007 and June 29, 2007.

Prior to January 26, 2007, MCD used certain assets in Canada owned by Harris that were not contributed to us as part of the Combination Agreement. We continue to use these assets in our business and on January 26, 2007, we entered into a 5-year lease agreement to accommodate this use. This agreement is a capital lease under U.S. generally accepted accounting principles. At September 28, 2007, our lease obligation to Harris was \$3.9 million and the related asset amount is included in our property, plant and equipment. Quarterly lease payments are due to Harris based on the amount of 103% of Harris' annual depreciation calculated in accordance with U.S. generally accepted accounting principles. We recognized an impairment charge of \$1.3 million on a portion of these assets which is included in our restructuring charges during the first quarter of fiscal 2008. Additionally, our depreciation expense on this capital lease was \$0.4 million in the first quarter of fiscal 2008.

Note Q Legal Proceedings

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

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

Table of Contents

Report of Independent Registered Public Accounting Firm

We have reviewed the condensed consolidated balance sheet of Harris Stratex Networks, Inc. and subsidiaries as of September 28, 2007, the related condensed consolidated statements of operations for the quarters ended September 28, 2007 and September 29, 2006, and the condensed consolidated statements of cash flows for the quarters ended September 28, 2007 and September 29, 2006. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

As described in Note C to the condensed consolidated financial statements, the financial statements referred to above have been restated.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Harris Stratex Networks, Inc. and subsidiaries as of June 29, 2007, and the related consolidated statements of operations and cash flows for the year then ended, not presented herein, and in our report dated August 16, 2007 (except for Note D, as to which the date is September 12, 2008), we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of June 29, 2007, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived. As described in Note D to the consolidated financial statements, these financial statements have been restated.

/s/ Ernst & Young LLP

Raleigh, North Carolina

November 2, 2007, except for Note C,

as to which the date is September 12, 2008

Table of Contents**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), which include, without limitation, statements about the market for our technology, our strategy and competition. Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed forward-looking statements. For example, the words believes, anticipates, plans, expects, intends and similar expressions are intended to identify forward-looking statements. Our actual results and the timing of certain events may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such a discrepancy include, but are not limited to, those discussed below under the discussions of Risk Factors set forth in our annual report on Form 10-K filed with the Securities and Exchange Commission on August 27, 2007. All forward looking statements in this document are based on information available to us as of the date hereof and we assume no obligation to update any such forward-looking statements.

As previously announced on July 30, 2008, Harris Stratex Networks, Inc. and its Audit Committee concluded that our consolidated financial statements for the fiscal years ended June 29, 2007, June 30, 2006 and July 1, 2005 and for the first three quarters of the fiscal year ended June 27, 2008 would be restated for the correction of errors contained in those consolidated financial statements. The effect of these restatement items reduced stockholders' equity cumulatively by \$11.0 million as of September 28, 2007 and \$11.6 million as of June 29, 2007, respectively. Previously reported net loss was decreased by \$0.6 million for the quarter ended September 28, 2007 and income was increased by \$0.7 million for the quarter ended September 29, 2006. The restatement had no impact on our net cash flows from operations, financing activities or investing activities. Details of the nature of the corrections are as follows:

Inventory

Project costs are accumulated in work in process inventory accounts in our cost accounting systems. As products are shipped or otherwise meet our revenue recognition criteria, these project costs are recorded to cost of sales. Estimates may be required at the point of sale if certain costs have been incurred, but not yet invoiced to us. On a routine and periodic basis, we review the work in process balances related to these projects to ensure all appropriate costs have been recorded to cost of sales in a timely manner and in the period to which they relate.

During the fiscal year 2008, we determined that this review had not been performed in a manner sufficient to identify significant project cost variances remaining in certain inventory accounts, and that the resulting errors impacted prior quarters and prior years. To correct this error, we decreased work in process inventory compared to amounts previously recorded by \$10.2 million and \$9.6 million as of September 28, 2007 and June 29, 2007, respectively, and increased cost of external product sales and services by \$0.6 million for the quarter ended September 28, 2007 and decreased cost of external product sales and services by \$0.6 million for the quarter ended September 29, 2006.

Inventory and Intercompany Account Reconciliations

During the course of the year end close for the fiscal year ending June 27, 2008, we determined that certain account reconciliation adjustments recorded in the fourth quarter of fiscal 2008, which related primarily to inventory and intercompany accounts receivable accounts, should have been recorded in prior quarters or prior years. We determined that certain manual controls had not been performed for certain periods, resulting in accounting errors. More specifically, we identified errors in the work in process inventory balances resulting from incorrect account reconciliation processes. To correct this error, we recorded adjustments to decrease inventory compared to amounts previously recorded by \$3.4 million and \$1.9 million as of September 28, 2007 and June 29, 2007, respectively, and increased cost of external product sales by \$1.5 million for the quarter ended September 28, 2007, and decreased the cost of external product sales by \$0.1 million for the quarter ended September 29, 2006.

We also identified errors in accounts receivable balances as a result of control deficiencies in the recording and elimination of intercompany transactions. To correct this error, we increased accounts receivable by \$0.9 million for the quarter ended September 28, 2007 and decreased accounts receivable by \$2.2 million at June 29, 2007, and increased selling and administrative expenses by \$3.1 million for the quarter ended September 28, 2007.

Warranty Liability

Our liability for product warranties contains the estimated accrual for certain technical assistance services provided under our standard warranty policy. We determined that these costs had not been properly included in the warranty liability estimates in the balance sheet of Stratex at the date of acquisition. To correct this error, we recorded an adjustment to increase the warranty liability and increase goodwill related to the Stratex acquisition by \$1.1 million at June 29, 2007.

Table of Contents***Deferred Tax Liability***

Taking into consideration the restatement adjustments described above, we reassessed our income tax provision in accordance with Statement 109. As a result, we recorded an adjustment to decrease the deferred tax liability balance by \$1.7 million and \$2.1 million as of September 28, 2007 and June 29, 2007, respectively, and to decrease the income tax benefit by \$0.4 million for the quarter ended September 28, 2007. For periods prior to January 26, 2007, income tax expense has been determined as if MCD had been a stand-alone entity, although the actual tax liabilities and tax consequences applied only to Harris. Our income tax expense for those periods relates to income taxes paid or to be paid in foreign jurisdictions for which net operating loss carryforwards were not available and domestic taxable income is deemed offset by tax loss carryforwards for which an income tax valuation allowance had been previously provided for in the financial statements. Thus, there was no change in our tax provision for periods prior to fiscal 2007.

The following tables present the impact of the restatement adjustments on our previously reported consolidated balance sheets as of September 28, 2007 and June 29, 2007, as well as the impact on our previously reported consolidated statements of operations and cash flows for the quarter ended September 28, 2007 and September 29, 2006.

QUARTERLY CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	For the quarter ended September 28, 2007		
	As		
	Previously		
	Reported	Adjustments	As
		(In millions)	Restated
Revenue	\$ 172.3	\$	\$ 172.3
Gross margin	49.1	(2.1)	47.0
Loss from operations	(1.0)	1.0	
Net loss	\$ (0.8)	\$ 0.6	\$ (0.2)
Basic and diluted net loss per common share	\$ (0.01)	\$	\$

	For the Quarter ended September 29, 2006		
	As		
	Previously		
	Reported	Adjustments	As
		(In millions)	Restated
Revenue	\$ 93.6	\$	\$ 93.6
Gross margin	30.8	0.7	31.5
Income from operations	5.3	0.7	6.0
Net income	\$ 4.8	\$ 0.7	\$ 5.5
Basic and diluted net loss per common share	N/A	N/A	N/A

Table of Contents**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

	As of September 28, 2007		
	As Previously Reported	Adjustments (In millions)	As Restated
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 64.2	\$	\$ 64.2
Short-term investments and available for sale securities	15.1		15.1
Receivables	196.1	0.9	197.0
Unbilled costs	48.6		48.6
Inventories	135.1	(13.6)	121.5
Deferred income taxes	5.0		5.0
Other current assets	20.7		20.7
Total current assets	484.8	(12.7)	472.1
<i>Long-Term Assets</i>			
Property, plant and equipment	79.2		79.2
Goodwill	314.0	1.1	315.1
Identifiable intangible assets	141.0		141.0
Other long-term assets	16.8		16.8
Total long-term assets	551.0	1.1	552.1
Total assets	\$ 1,035.8	\$ (11.6)	\$ 1,024.2
LIABILITIES AND SHAREHOLDERS EQUITY			
<i>Current Liabilities</i>			
Short-term debt	\$	\$	\$
Current portion of long-term debt	9.2		9.2
Accounts payable	92.1		92.1
Compensation and benefits	12.4		12.4
Other accrued items	45.0	1.1	46.1
Advance payments and unearned income	22.3		22.3
Income taxes payable	5.5		5.5
Restructuring liabilities	10.7		10.7
Current portion of long-term capital lease obligation to Harris Corporation	2.5		2.5
Due to Harris Corporation	20.2		20.2
Total current liabilities	219.9	1.1	221.0
<i>Long-term Liabilities</i>	52.4	(1.7)	50.7
<i>Total Liabilities</i>	272.3	(0.6)	271.7
Total shareholders equity	763.5	(11.0)	752.5

Total liabilities and shareholders' equity	\$ 1,035.8	\$ (11.6)	\$ 1,024.2
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Table of Contents

	As of June 29, 2007		
	As Previously Reported	Adjustments (In millions)	As Restated
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 69.2	\$	\$ 69.2
Short-term investments and available for sale securities	20.4		20.4
Receivables	185.3	(2.2)	183.1
Unbilled costs	36.9		36.9
Inventories	135.7	(11.5)	124.2
Deferred income taxes	4.1		4.1
Other current assets	21.7		21.7
Total current assets	473.3	(13.7)	459.6
<i>Long-Term Assets</i>			
Property, plant and equipment	80.0		80.0
Goodwill	323.6	1.1	324.7
Identifiable intangible assets	144.5		144.5
Other long-term assets	16.7		16.7
Total long-term assets	564.8	1.1	565.9
Total assets	\$ 1,038.1	\$ (12.6)	\$ 1,025.5
LIABILITIES AND SHAREHOLDERS EQUITY			
<i>Current Liabilities</i>			
Short-term debt	\$ 1.2	\$	\$ 1.2
Current portion of long-term debt	10.7		10.7
Accounts payable	84.7		84.7
Compensation and benefits	11.5		11.5
Other accrued items	44.7	1.1	45.8
Advance payments and unearned income	22.3		22.3
Income taxes payable	6.8		6.8
Restructuring liabilities	10.8		10.8
Current portion of long-term capital lease obligation to Harris Corporation	3.1		3.1
Due to Harris Corporation	17.2		17.2
Total current liabilities	213.0	1.1	214.1
<i>Long-term liabilities</i>	67.1	(2.1)	65.0
<i>Total Liabilities</i>	280.1	(1.0)	279.1
Total shareholders equity	758.0	(11.6)	746.4

Total Liabilities and shareholders equity	\$ 1,038.1	\$ (12.6)	\$ 1,025.5
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Table of Contents**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	For the quarter ended September 28, 2007		
	As Previously Reported	Adjustments (In millions)	As Restated
Net loss	\$ (0.8)	\$ 0.6	\$ (0.2)
Net cash provided by operating activities	2.1		2.1
Amortization of identifiable intangible assets acquired in the Stratex acquisition	3.6		3.6
Depreciation and amortization of property, plant and equipment and capitalized software	5.3		5.3
Non-cash stock-based compensation expense	2.0		2.0
Increase in fair value of warrants	(0.5)		(0.5)
Deferred income tax expense	(0.2)	0.4	0.2
Changes in operating assets and liabilities:			
Receivables	(10.1)	(3.1)	(13.2)
Unbilled costs and inventories	(11.0)	2.0	(9.0)
Accounts payable and accrued expenses	8.5	0.1	8.6
Advance payments and unearned income			
Due to Harris Corporation	3.0		3.0
Other	2.3		2.3
Net cash used in investing activities	(1.0)		(1.0)
Net cash used in financing activities	(5.1)		(5.1)
Effect of exchange rate changes on cash and cash equivalents	(1.0)		(1.0)
Net decrease in cash and cash equivalents	(5.0)		(5.0)
Cash and cash equivalents, beginning of year	\$ 69.2		\$ 69.2
Cash and cash equivalents, end of year	\$ 64.2	\$	\$ 64.2

Table of Contents

	For the quarter ended September 29, 2006		
	As Previously Reported	Adjustments (In millions)	As Restated
Net income	\$ 4.8	\$ 0.7	\$ 5.5
Net cash used in operating activities	(1.0)		(1.0)
Amortization of identifiable intangible assets acquired in the Stratex acquisition			
Depreciation and amortization of property, plant and equipment and capitalized software	3.3		3.3
Non-cash stock-based compensation expense			
Increase in fair value of warrants			
Deferred income tax expense			
Changes in operating assets and liabilities:			
Receivables	(1.6)	(0.1)	(1.7)
Unbilled costs and inventories	(0.9)	(0.7)	(1.6)
Accounts payable and accrued expenses	(1.3)	0.1	(1.2)
Advance payments and unearned income	4.0		4.0
Due to Harris Corporation	(9.5)		(9.5)
Other	0.2		0.2
Net cash used in investing activities	(1.3)		(1.3)
Net cash provided by financing activities	2.6		2.6
Effect of exchange rate changes on cash and cash equivalents	0.3		0.3
Net increase in cash and cash equivalents	0.6		0.6
Cash and cash equivalents, beginning of year	\$ 13.8		\$ 13.8
Cash and cash equivalents, end of year	\$ 14.4	\$	\$ 14.4

Table of Contents***Acquisition of Stratex Networks, Inc. and Combination with MCD***

On January 26, 2007, Harris Stratex Networks, Inc. (the Company, HSTX, Harris Stratex, we, us and our) completed its merger (the Stratex acquisition) with Stratex Networks, Inc. (Stratex) pursuant to a Formation, Contribution and Merger Agreement among Harris, Stratex, and Stratex Merger Corp., as amended and restated on December 18, 2006 and amended by letter agreement on January 26, 2007. In the transaction, Stratex Merger Corp., a wholly-owned subsidiary of the Company, merged with and into Stratex with Stratex as the surviving corporation (renamed as Harris Stratex Networks Operating Corporation). Concurrently with the merger of Stratex and Stratex Merger Corp. (the merger), Harris contributed the Microwave Communications Division (MCD), along with \$32.1 million in cash (comprised of \$26.9 million contributed on January 26, 2007 and \$5.2 million held by the Company's foreign operating subsidiaries on January 26, 2007) to the Company and the Company assumed the liabilities (with certain exceptions) of MCD (the contribution transaction).

Pursuant to the merger, each share of Stratex common stock was converted into one-fourth of a share of our Class A common stock, and a total of 24,782,153 shares of our Class A common stock were issued to the former holders of Stratex common stock. In the contribution transaction, Harris contributed the assets of MCD, along with \$32.1 million in cash, and in exchange, we assumed certain liabilities of Harris related to MCD and issued 32,913,377 shares of our Class B common stock to Harris. As a result of these transactions, Harris owned approximately 57% and the former Stratex shareholders owned approximately 43% of our total outstanding stock immediately following the closing. We completed the Stratex acquisition to create a leading global communications solutions company offering end-to-end wireless transmission solutions for mobile and fixed-wireless service providers and private networks. The Stratex acquisition was accounted for as a purchase business combination with MCD considered the acquirer for accounting purposes. Thus, the historical results discussed herein for periods prior to January 26, 2007 represent the separate financial results of MCD on a carve-out basis. Total consideration paid by us was approximately \$493.1 million as summarized in the following table:

Calculation of Allocable Purchase Price	January 26, 2007
	(In millions)
Value of Harris Stratex Networks shares issued to Stratex Networks stockholders	\$ 464.9
Value of Stratex Networks vested options assumed	15.5
Acquisition costs	12.7
 Total allocable purchase price	 \$ 493.1

Overview

The following Management's Discussion and Analysis of Financial Condition and Results of Operations, which is sometimes referred to in this Quarterly Report on Form 10-Q/A as the MD&A, is provided as a supplement to, should be read in conjunction with, and is qualified in its entirety by reference to our condensed consolidated financial statements and related notes presented under *Item 1. Financial Statements* of this report.

The following is a list of the sections of the MD&A, together with the perspective of our management on the contents of these sections of the MD&A, which is intended to make reading these pages more productive:

Business Considerations a general description of our businesses; the drivers of these businesses and our strategy for achieving value and key indicators that are relevant to us in the microwave communications industry.

Operations Review an analysis of our consolidated results of operations and of the results in each of its three operating segments, to the extent the operating segment results are helpful to gaining an understanding of our business as a whole.

Liquidity, Capital Resources and Financial Strategies an analysis of cash flows, contractual obligations, off-balance sheet arrangements, commercial commitments, financial risk management, impact of foreign exchange and impact of inflation.

Critical Accounting Policies and Estimates a discussion of accounting policies and estimates that require the most judgment and a discussion of accounting pronouncements that have been issued but not yet implemented by us and their potential impact.

Table of Contents

Business Considerations

General

MCD was a leading global provider of turnkey wireless transmission solutions and comprehensive network management software, with an extensive services suite. With innovative products and a broad portfolio, MCD was a market share leader in North America and a top-tier provider in international markets, most notably in the growing Middle East/Africa region. Stratex Networks was a leading provider of innovative wireless transmission solutions to mobile wireless carriers and data access providers around the world. As a result of the combination of the two historical businesses, Harris Stratex was formed and has become a leading independent wireless networks solutions provider, focused on delivering 1) microwave digital radio and other communications products, systems and professional services for private network operators and mobile telecommunications providers; and 2) turnkey end-to-end network management and service assurance solutions for broadband and converged networks. Our three segments serve markets for microwave products and services in North America Microwave, International Microwave and network management software solutions worldwide or Network Operations. All of our revenue, income and cash flow are derived from the sale of these products, systems, software and services. We generally sell directly to the end customer. However, to extend our global footprint and maximize our penetration in certain markets, we sometimes sell through agents, resellers and/or distributors, particularly in international markets.

Our mission statement is: Harris Stratex Networks offers the most reliable, flexible, scalable, and easy to use wireless network solutions in the world for mobile, government and private networks. Every day, we build lasting customer relationships, grow our company and build new value for our shareholders by listening to our customers, delivering innovative products matched to market demand and offering superior service and quality. We re committed to helping customers meet their competitive demands by building new wireless networks, upgrading existing networks and providing complete professional services.

Drivers of Harris Stratex Businesses and Strategy for Achieving Value

We are committed to our mission statement, and we believe that executing the mission statement creates value.

Consistent with this commitment, we currently focus on these key drivers:

Achieving profitable revenue growth in all segments;

Focusing on operating efficiencies and cost reductions; and

Maintaining an efficient capital structure.

Achieving Profitable Revenue Growth in All Segments

We are a global provider of wireless transmission networks solutions. We will focus on capitalizing on our strength in the North American market by continuing to win opportunities with wireless telecommunications providers as well as federal, state and other private network operators. Growth opportunities will come from network and capacity expansion and the evolution to IP networking in both the public and private segments. Other growth drivers include the emerging *triple-play* services (voice, data and video) market in the public sector, the trend towards network hardening and interoperability for public safety and disaster response agencies and the FCC directive to relocate frequency bands in the 2 GHz range to open up spectrum for Advanced Wireless Services. Wireless transmission systems are particularly well-suited to meet the increasing demand for high-reliability, high-bandwidth networks that are more secure and better protected against natural and man-made disasters.

We are focused on increasing international revenue by offering innovative new products and expanding regional sales channels to capture greenfield network opportunities. We will also focus on two major evolutionary trends in the global communications market by 1) penetrating large regional mobile telecom operators to participate in network expansion and new third-generation (3G) network opportunities; and 2) enabling the migration to Internet Protocol (IP) networking in both the public and private segments by providing both IP-enabled and IP-centric wireless transmission solutions.

We offer a broad range of engineering and other professional services for network planning, systems architecture design and project management as a global competitive advantage. We will expand our Network Operations offerings in microwave and non-microwave opportunities to create a differentiator for our total solutions offerings.

Focusing on Operating Efficiencies and Cost Reductions

The principal focus areas for operating efficiencies and cost management are: 1) reducing procurement costs through an emphasis on coordinated supply chain management; 2) reducing product costs through dedicated value engineering resources focused on product value engineering; 3) improving manufacturing efficiencies across all segments; and 4) optimizing facility utilization.

Maintaining an Efficient Capital Structure

Our capital structure is intended to optimize our cost of capital. We believe a strong capital position, access to key financial markets, ability to raise funds at a low effective cost and overall low cost of borrowing provide a competitive advantage. We had \$79.3 million in cash, cash equivalents, short-term investments and available for sale securities as of September 28, 2007.

Key Indicators

We believe our key drivers, when fully implemented, will improve key indicators such as: revenue, gross margin, net income, operating cash flows, total assets as a percentage of revenue and total equity as a percentage of revenue.

Table of Contents**Quarter Ended September 28, 2007 compared to Quarter Ended September 29, 2006**
Revenue and Net (Loss) Income (Restated)

	Quarter Ended		
	September	September	
	28, 2007	29, 2006	Percentage
	(Restated)	(Restated)	Increase/(Decrease)
	(In millions, except percentages)		
Revenue	\$ 172.3	\$ 93.6	84.1%
Net (loss) income	\$ (0.2)	\$ 5.5	N/M
% of revenue	(0.1)%	5.9%	

N/M = Not statistically meaningful

The results for the first quarter of fiscal 2008 include the operations acquired in the Stratex acquisition for the entire period while the results for the first quarter of fiscal 2007 include only the results of MCD prior to the merger. Historically, Stratex derived its revenues primarily from international markets.

Our revenue for the first quarter of fiscal 2008 was \$172.3 million, an increase of \$78.7 million or 84.1% compared to the first quarter of fiscal 2007, which includes \$68.4 million of revenue from the products and services acquired in the Stratex acquisition. The remainder of the revenue increase, or \$10.3 million, resulted from revenue growth in the International Microwave and Network Operations segments. The increased international demand for our products came from increases in Africa and Latin America. Operators in Africa continue to expand their coverage and capacity across East and West Africa, driving increased business activity. Additionally, we had increased shipments into Mexico, Brazil and Argentina in the first quarter of fiscal 2008 compared to the first quarter of fiscal 2007. The Network Operations segment experienced increased demand in the first quarter of fiscal 2008 for its service assurance solution with Next Generation Network customers.

Our first quarter fiscal 2008 net loss was \$0.2 million compared to net income of \$5.5 million in the first quarter of fiscal 2007 which reflected only MCD's historical operations. The first quarter fiscal 2008 net loss included the following purchase accounting adjustments and other expenses related to the acquisition and integration of Stratex: \$2.8 million of charges related primarily to integration activities undertaken in connection with the merger; \$0.7 million amortization of a portion of the fair value adjustments related to fixed assets; and \$1.8 million of amortization related to developed technology; \$1.8 million of amortization of trade names, customer relationships and non-competition agreements. These charges were classified in either cost of product sales and services or selling and administrative expenses depending on the nature of the charge in the first quarter of fiscal 2008. We also recognized a charge for the impairment of a lease of \$0.8 million and recorded \$2.4 million in FAS 123R share-based compensation (\$0.4 million in the first quarter of fiscal 2007).

In order to improve operating efficiencies and create synergies through the consolidation of facilities, we implemented restructuring plans in fiscal 2007 to scale down our operations in Canada, France, the U.S. and Mexico. We began implementation of a plan in February 2007 to scale down operations in Montreal, Canada and, to a lesser extent, in the U.S. In the initial phase of this plan, notices were sent to approximately 200 employees in Montreal that their employment would be terminated between March 30, 2007 and December 31, 2007. We also began implementation of a plan in June 2007 to scale down operations in Paris, France and, to a lesser extent, Mexico City, Mexico. Notices were sent to 12 employees in Paris and 3 employees in Mexico City that their employment would be terminated by December 31, 2007.

In the first quarter of fiscal 2008, we recorded an additional \$4.0 million of restructuring charges in connection with implementation of these fiscal 2007 plans. The cost of these plans as they relate to the reductions in force during the first quarter of fiscal 2007 consisted primarily of retention, severance and other benefits totaling \$2.3 million. Also, during the first quarter of fiscal 2008, we commenced the exit of our facilities in Montreal and Redwood Shores,

California. We recognized as part of restructuring expense approximately \$1.8 million in Montreal relating to the write-off of fixed assets and leasehold improvements (\$1.3 million), the impairment of a lease (\$0.3 million) and inventory (\$0.2 million). We also recognized the impairment of our lease in Redwood Shores (\$0.5 million). These charges to restructuring in the first quarter of fiscal 2008 were partially offset by \$0.3 million for the reduction in severance estimated to be paid in France and a \$0.3 million reduction in the amount estimated to close out our restructuring liability in connection with our fiscal year 2006 restructuring plan to transfer our Montreal manufacturing activities to our San Antonio, Texas facility.

Table of Contents

Our fiscal year 2007 restructuring plans are expected to be fully implemented by December 31, 2007.

We also recorded \$1.8 million amortization of acquired intangible assets during the first quarter of fiscal 2008 compared to none in the first quarter of fiscal 2007.

These restructuring charges were partially offset by income generated from the operations acquired from Stratex and by the margin generated by the increased revenue from our International Microwave and Network Operations segments. In the first quarter of fiscal 2008 we recorded a net tax provision of \$0.2 million, compared to a tax provision of \$0.4 million in the first quarter of fiscal 2007. The tax provision recorded in the first quarter of fiscal 2008 resulted primarily from foreign tax credits expected to be earned by our international operations.

Gross Margin (Restated)

	Quarter Ended		Percentage Increase/(Decrease)
	September 28, 2007 (Restated)	September 29, 2006 (Restated)	
	(In millions, except percentages)		
Revenue	\$ 172.3	\$ 93.6	84.1%
Cost of product sales and services	(125.3)	(62.1)	N/M
Gross margin	\$ 47.0	\$ 31.5	49.2%
% of revenue	27.3%	33.7%	

N/M = Not statistically meaningful

Our first quarter fiscal 2008 gross margin was \$47.0 million, or 27.3% of revenue, compared to \$31.5 million, or 33.7% of revenue, for the first quarter of fiscal 2007. Our first quarter fiscal 2008 gross margin was reduced by \$1.8 million of amortization on developed technology and \$0.2 million of amortization of the fair value of adjustments for fixed assets acquired from Stratex. Our first quarter fiscal 2008 gross margin also was reduced by \$0.6 million in integration costs. In the first quarter of fiscal 2007, we did not incur costs for these items. Our first quarter fiscal 2008 gross margin was also impacted by an increase in gross margin attributed to sales of former Stratex products and services and the margin generated by the increase in revenue from our International Microwave and Network Operations segments. Our gross margin percentage in the first quarter of fiscal 2008 was comparatively lower than gross margins in the first quarter of fiscal 2007 primarily because of the expenses described above and our International Microwave segment revenue included a significant amount of lower-margin, low-capacity Eclipse microwave radio sales in the most recent quarter. We acquired the Eclipse product line in the Stratex acquisition.

Research and Development Expenses

	Quarter Ended		Percentage Increase/(Decrease)
	September 28, 2007 (Restated)	September 29, 2006 (Restated)	
	(In millions, except percentages)		
Revenue	\$ 172.3	\$ 93.6	84.1%
Research and development expenses	\$ 12.4	\$ 7.5	65.3%
% of revenue	7.2%	8.0%	

Research and development (R&D) expenses were \$12.4 million in the first quarter of fiscal 2008, compared to \$7.5 million in the first quarter of fiscal 2007. As a percent of revenue, these expenses decreased from 8.0% in the first quarter of fiscal 2007 to 7.2% in the first quarter of fiscal 2008 due to higher revenue. The majority of the increase in spending in the first quarter of fiscal 2008 compared to the first quarter of fiscal 2007 is attributable to the R&D activities acquired from Stratex. Some of the increase was attributable to higher spending in the first quarter of

fiscal 2008 related to our TRuepoint 6000 development efforts.

Table of Contents***Selling and Administrative Expenses***

	Quarter Ended		
	September 28, 2007 (Restated)	September 29, 2006	Percentage Increase/(Decrease)
	(In millions, except percentages)		
Revenue	\$ 172.3	\$ 93.6	84.1%
Selling and administrative expenses	\$ 28.8	\$ 16.4	75.6%
% of revenue	16.7%	17.5%	

Our first quarter fiscal 2008 selling and administrative (S&A) expenses increased to \$28.8 million from \$16.4 million in the first quarter of fiscal 2007. As a percentage of revenue, these expenses decreased from 17.5% of revenue in the first quarter of fiscal 2007 to 16.7% of revenue in the first quarter of fiscal 2008. The majority of the increase in spending in the first quarter of fiscal 2008 compared to the first quarter of fiscal 2007 was attributable to the SG&A expenses acquired from Stratex. The remainder of the increase was due to higher selling expenses associated with the increase in revenue. We anticipate that administrative expenses may increase during the remainder of fiscal 2008 in connection with Sarbanes-Oxley requirements.

Income Taxes (Restated)

	Quarter Ended		
	September 28, 2007 (Restated)	September 29, 2006 (Restated)	Percentage Increase/(Decrease)
	(In millions, except percentages)		
Income before income taxes	\$ 0.0	\$ 5.9	N/M
Income tax provision	\$ (0.2)	\$ (0.4)	50.0%
% of income before income taxes	N/M	6.8%	

N/M = Not statistically meaningful

The income tax provision of \$0.2 million for the first quarter of fiscal 2008 reflected our pre-tax loss based on our estimated annual effective tax rate. The variation between income taxes and income tax expense at the statutory rate of 35% was primarily due to the consolidation of our foreign operations, which are subject to income taxes at lower statutory rates.

The income tax provision for the first quarter of fiscal 2007 was \$0.4 million and was based upon an allocation of tax expense from Harris.

Related Party Transactions with Harris

Harris provided information services, human resources, financial shared services, facilities, legal support and supply chain management services to us. Prior to the Stratex acquisition, the charges for these services were billed to us primarily based on actual usage. During the quarter ended September 29, 2006, Harris charged us \$1.6 million for these services.

On January 26, 2007, we entered into a Transition Services Agreement with Harris to provide for certain services during the periods subsequent to the Stratex acquisition. These services also are charged to us based primarily on actual usage and include database management, supply chain operating systems, eBusiness services, sales and service, financial systems, back office material resource planning support, HR systems, internal and information systems shared services support, network management and help desk support, and server administration and support. During the quarter ended September 28, 2007, Harris charged us \$1.7 million for these services.

We have sales to, and purchases from, other Harris entities from time to time. Prior to January 26, 2007, the entity initiating the transaction sold to the other Harris entity at cost or transfer price, depending on jurisdiction. The entity making the sale to the end customer recorded the profit on the transaction above cost or transfer price, depending on jurisdiction. Subsequent to January 26, 2007, these purchases and sales are recorded at market price. Our sales to other Harris entities were \$1.2 million and \$0.5 million for the quarters ended September 28, 2007 and September 29, 2006. We also recognized costs associated with related party purchases from Harris of \$0.6 million and \$2.6 million for the quarters ended September 28, 2007 and September 29, 2006, respectively.

Table of Contents

Harris was the primary source of our financing and equity activities through January 26, 2007, the date of the Stratex acquisition. During the quarter ended September 29, 2006, Harris' net investment in us was increased by \$2.7 million. Additionally, through the date of the Stratex acquisition, Harris loaned cash to us to fund our international entities and we distributed excess cash back to Harris. This arrangement ended on January 26, 2007. We recognized interest income and expense on these loans. The amount of interest income and expense for the quarter ended September 29, 2006 was not significant.

The amounts billed from Harris are included within "Due to Harris Corporation" on the condensed consolidated balance sheets. Additionally, we have other receivables and payables in the normal course of business with Harris. These amounts are netted within "Due to Harris Corporation" on the condensed consolidated balance sheets. Total receivables from Harris were \$2.0 million and \$0.7 million at September 28, 2007 and June 29, 2007. Total payables to Harris were \$22.2 million and \$17.9 million at September 28, 2007 and June 29, 2007.

Prior to January 26, 2007, MCD used certain assets in Canada owned by Harris that were not contributed to us as part of the Combination Agreement. We continue to use these assets in our business and on January 26, 2007, we entered into a 5-year lease agreement to accommodate this use. This agreement is a capital lease under U.S. generally accepted accounting principles. At September 28, 2007, our lease obligation to Harris was \$3.9 million and the related asset amount is included in our property, plant and equipment. Quarterly lease payments are due to Harris based on the amount of 103% of Harris' annual depreciation calculated in accordance with U.S. generally accepted accounting principles. We recognized an impairment charge of \$1.3 million on a portion of these assets which is included in our restructuring charges during the first quarter of fiscal 2008. Additionally, our depreciation expense on this capital lease was \$0.4 million in the first quarter of fiscal 2008.

Discussion of Business Segments (Restated)***North America Microwave Segment (Restated)***

	Quarter Ended		Percentage Increase/(Decrease)
	September 28, 2007 (Restated)	September 29, 2006 (Restated)	
	(In millions, except percentages)		
Revenue	\$56.6	\$49.9	13.4%
Segment operating (loss) income	\$ (0.3)	\$ 3.7	N/M
% of revenue	(0.5)%	7.4%	

N/M = Not statistically meaningful

North America Microwave segment revenue increased by \$6.7 million or 13.4% from the first quarter of fiscal 2007 to the first quarter of fiscal 2008. Revenue for the first quarter of fiscal 2008 included \$6.9 million of revenue related to the acquisition of Stratex, which accounted for almost all of the revenue growth in the most recent quarter.

Our first quarter fiscal 2008 operating income was reduced by the following amounts related to the acquisition of Stratex: \$0.2 million amortization of the fair value adjustments for fixed assets, \$0.6 million amortization of developed technology, trade names, customer relationships, and non-compete agreements, \$3.8 million of restructuring charges, \$0.8 million in charges for impairment of a lease agreement and \$1.0 of integration and severance charges undertaken in connection with the merger including the reduction in force at our Montreal facility. We also recorded \$2.3 million in FAS 123R share-based compensation expense during the first quarter of fiscal 2008 in our North America Microwave segment compared to \$0.4 million in the first quarter of fiscal 2007.

Table of Contents***International Microwave Segment (Restated)***

	Quarter Ended		Percentage Increase/(Decrease)
	September 28, 2007 (Restated)	September 29, 2006 (Restated)	
	(In millions, except percentages)		
Revenue	\$ 109.2	\$ 39.3	N/M
Segment operating (loss) income	\$ (0.5)	\$ 3.6	N/M
% of revenue	(0.5)%	9.2%	

N/M = Not statistically meaningful

International microwave segment revenue increased by \$69.9 million from the first quarter of fiscal 2007 to the first quarter of fiscal 2008. Revenue in the first quarter of fiscal 2008 included \$61.5 million in revenues related to the sale of former Stratex products and services. Excluding the impact of the revenue from Stratex products and services, our International Microwave revenue increased by \$8.4 million primarily due to increased sales to customers located in Africa and Latin America. Operators in Africa continue to expand their coverage and capacity across East and West Africa, driving increased business activity. Additionally, we had increased shipments into Mexico, Brazil and Argentina in the first quarter of fiscal 2008 compared to the first quarter of fiscal 2007.

This segment had an operating loss of \$0.5 million for the first quarter of fiscal 2008 compared to operating income of \$3.6 million for the first quarter of fiscal 2007. The operating loss for the first quarter of fiscal 2008 reflected the following charges related to the acquisition of Stratex: \$0.5 million amortization of the fair value adjustments for fixed assets, \$3.0 million amortization of developed technology, trade names, customer relationships, contract backlog and non-compete agreements, \$0.2 million of restructuring charges and \$1.8 million of integration expenses associated with the merger. International operating income increased due to the acquisition of Stratex, however this increase was partially offset by a higher mix of lower-margin, low-capacity Eclipse microwave sales.

We also recorded \$0.1 million in FAS 123R share-based compensation expense during the first quarter of fiscal 2008 in our International Microwave segment and none in the first quarter of fiscal 2007.

Network Operations Segment

	Quarter Ended		Percentage Increase/(Decrease)
	September 28, 2007	September 29, 2006	
	(In millions, except percentages)		
Revenue	\$ 6.5	\$ 4.4	47.7%
Segment operating income	\$ 0.8	\$ 0.3	N/M
% of revenue	12.3%	6.8%	

N/M = Not meaningful

Network Operations segment revenue increased by 47.7% from the first quarter of fiscal 2007 to the first quarter of fiscal 2008. This segment had operating income of \$0.8 million in the first quarter of fiscal 2008, which more than doubled compared to operating income of \$0.3 million in the first quarter of fiscal 2007. Additionally, operating income as a percentage of sales increased to 12.3% in the first quarter of fiscal 2008 compared to 6.8% in the first quarter of fiscal 2007. The increase in revenue resulted primarily from an increase in software and license revenue in the first quarter of fiscal 2008 compared to the first quarter of fiscal 2007.

The Network Operations segment had increased demand in the first quarter of fiscal 2008 for its service assurance solution with Next Generation Network customers compared to the first quarter of fiscal 2007. The increase in first quarter fiscal 2008 operating income and as a percentage of revenue compared to first quarter fiscal 2007 was driven by product mix including an increase in higher margin software and license revenue and a decrease in selling and administrative expenses as a percentage of revenue.

Table of Contents**Liquidity and Capital Resources*****Cash Flows***

	Quarter Ended	
	September 28, 2007	September 29, 2006
Net cash provided by (used in) operating activities	\$ 2.1	\$ (1.0)
Net cash used in investing activities	(1.0)	(1.3)
Net cash (used in) provided by financing activities	(5.1)	2.6
Effect of foreign exchange rate changes on cash	(1.0)	0.3
Net (decrease) increase in cash and cash equivalents	\$ (5.0)	\$ 0.6

Cash and Cash Equivalents

We consider all highly liquid debt instruments purchased with a remaining maturity of three months or less at the time of purchase to be cash equivalents. Our cash and cash equivalents decreased by \$5.0 million to \$64.2 million at the end of the first quarter of fiscal 2008. We generated \$2.1 million in cash flow from operations, \$9.3 million in cash and cash equivalents from the sale of short-term investments and realized proceeds from the exercise of stock options of \$0.9 million. These increases to cash and cash equivalents were more than offset by our purchase of short-term investments totaling \$4.0 million, \$2.1 million in purchases of property, plant and equipment, \$4.2 million in additions to capitalized software, the repayment of \$1.2 million in short-term debt and principal payments of \$2.8 million on long-term debt.

Our cash and cash equivalents increased by \$0.6 million to \$14.4 million at the end of the first quarter of fiscal 2007, primarily due to \$2.7 million in cash and other transfers from Harris, partially offset by \$1.3 million in purchases of property, plant and equipment including capitalized software and \$1.0 million cash and cash equivalents used in operations.

Net Cash Provided by Operating Activities

Our net cash and cash equivalents provided by operating activities was \$2.1 million in the first quarter of fiscal 2008 compared to \$1.0 million used in operating activities in the first quarter of fiscal 2007. Operating cash flow in the first quarter of fiscal 2008 was positively affected by increases in accounts payable and accrued expenses, amounts due to Harris and other cash flow from operations. These increases to operating cash flow were partially offset by increases in receivables and unbilled costs. The increase in unbilled receivables was due to the build-up of several large projects scheduled to ship during the remainder of fiscal 2008.

Table of Contents**Net Cash Used in Investing Activities**

Our net cash used in investing activities was \$1.0 million in the first quarter of fiscal 2008 compared to \$1.3 million used in investing activities in the first quarter of fiscal 2007. Net cash used in investing activities in the first quarter of fiscal 2008 was \$4.0 million in purchases of short-term investments, \$4.2 million of additions of capitalized software primarily for the purchase and implementation of new enterprise-wide information systems and \$2.1 million of additions of property, plant and equipment. These uses of cash in investing activities during the first quarter of fiscal 2008 were partially offset by the receipt of \$9.3 million in proceeds from the sale and maturity of short-term investments and available for sale securities. Net cash used in investing activities in the first quarter of fiscal 2007 was due to \$0.2 million of additions of plant and equipment and \$1.1 million of additions of capitalized software.

Net Cash (Used in) Provided by Financing Activities

Our net cash used in financing activities in the first quarter of fiscal 2008 was \$5.1 million compared to \$2.6 million provided by financing activities in the first quarter of fiscal 2007. The net cash used in financing activities in the first quarter of fiscal 2008 was for the repayment of \$1.2 million in short-term debt, payment of \$2.0 million on our capital lease obligation to Harris and \$2.8 million in principal payments on long-term debt. We received \$0.9 million in proceeds from the exercise of former Stratex options. In the first quarter of fiscal 2007, our cash provided by financing activities was primarily from net cash and other transfers from Harris totaling \$2.7 million.

Sources of Liquidity

At September 28, 2007, our principal sources of liquidity consisted of \$79.3 million in cash, cash equivalents, short-term investments and available for sale securities and \$26.6 million of available credit under our \$50 million credit facility.

Available Credit Facility and Repayment of Debt

At September 28, 2007 we had \$26.6 million of credit available against our \$50 million revolving credit facility with a commercial bank as mentioned above. The total amount of revolving credit available is \$50 million less the outstanding balance of the term loan portion and any usage under the revolving credit portion. The balance of the term loan portion of our credit facility was \$16.7 million as of September 28, 2007 and there were \$6.7 million outstanding in standby letters of credit as of that date, which are defined as usage under the revolving credit portion of the facility. There were no borrowings under the short-term debt portion of the facility as of September 28, 2007.

Our debt consisted of the following at September 28, 2007 and June 29, 2007:

	September 28, 2007	June 29, 2007
	(In millions)	
Credit Facility with Bank:		
Term Loan A	\$ 4.2	\$ 5.7
Term Loan B	12.5	13.8
Other short-term notes		1.2
Total	16.7	20.7
Less current portion and short-term notes	(9.2)	(11.9)
Long-term debt	\$ 7.5	\$ 8.8

Term Loan A of the Credit Facility requires monthly principal payments of \$0.5 million plus interest at a fixed rate of 6.38% through May 2008. Term Loan B requires monthly principal payments of \$0.4 million plus interest at a fixed rate of 7.25% through March 2010.

Table of Contents

At September 28, 2007, our future debt principal payment obligations were as follows:

	Years Ending in June (In millions)
2008	\$ 7.9
2009	5.0
2010	3.8
Total	\$ 16.7

Based on covenants included as part of the credit facility we were required to maintain, as measured at the last day of each fiscal quarter, tangible net worth of at least \$54 million plus (1) 25% of net income, as determined in accordance with U.S. GAAP (exclusive of losses) and (2) 50% of any increase to net worth due to subordinated debt or net equity proceeds from either public or private offerings (exclusive of issuances of stock under our employee benefit plans) for such quarter and all preceding quarters since December 31, 2005. We also were required to maintain, as measured at the last day of each fiscal month, a ratio of not less than 1.25 determined as follows: (a) the sum of total unrestricted cash and cash equivalents plus short-term and long-term marketable securities plus 25% of all accounts receivable due to us minus certain outstanding bank services and reserve for foreign currency contract transactions divided by (b) the aggregate amount of outstanding borrowings and other obligations to the bank. As of September 28, 2007, we were in compliance with these financial covenants.

Restructuring and Severance Payments

We had total liability for restructuring activities of \$16.8 million as of September 28, 2007, of which \$10.7 million was classified as a current liability and expected to be paid out in cash over the next 12 months.

Contractual Obligations

At September 28, 2007, we had contractual cash obligations for repayment of debt and related interest, purchase obligations to acquire goods and services, payments for operating lease commitments, obligations to Harris, payments on our restructuring and severance liabilities, redemption of our preference shares and payment of the related required dividend payments and other current liabilities on our balance sheet in the normal course of business. The amounts disclosed in our Fiscal 2007 Form 10-K included our contractual obligations as of June 29, 2007. During the quarter ended September 28, 2007, no material changes occurred in our contractual obligations, except that our purchase obligations to acquire goods and services increased from June 29, 2007 by \$9.7 million to \$33.3 million. The increase was due to additional purchase obligations with our contract manufacturers.

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 contracts to provide products and services to customers. The amounts disclosed in our Fiscal 2007 Form 10-K include our commercial commitments. During the quarter ended September 28, 2007, no material changes occurred in our commercial commitments and contingent liabilities on outstanding letters of credit, guarantees and other arrangements as disclosed in our Fiscal 2007 Form 10-K.

Use of Estimates and Critical Accounting Policies***Use of Estimates***

Our consolidated financial statements are prepared in accordance with U.S. GAAP, and the application of U.S. GAAP requires management to make estimates that affect our reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. In many instances, we could have reasonably used different accounting estimates. In other instances, changes in the accounting estimates from period to period are reasonably likely to occur. Accordingly, actual results could differ significantly from the estimates made by management. To the extent that there are material differences between these estimates and actual results, our future financial statement

presentation of our financial condition or results of operations may be affected.

Table of Contents

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

Critical Accounting Policies

Our Condensed Consolidated Financial Statements (Unaudited) and accompanying Notes are prepared in accordance with U.S. generally accepted accounting principles. Preparing financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are affected by the application of our accounting policies. Our significant accounting policies are described in Note B Significant Accounting Policies in our Notes to Consolidated Financial Statements included in our Fiscal 2007 Form 10-K. Critical accounting policies and estimates are those that require application of management's most difficult, subjective or complex judgments, often as a result of matters that are inherently uncertain and may change in subsequent periods. Critical accounting policies and estimates for us include: (i) revenue recognition, (ii) provisions for excess and obsolete inventory losses, (iii) goodwill and intangible assets, and (iv) income taxes and tax valuation allowances. For additional discussion of our critical accounting policies and estimates, see our Management's Discussion and Analysis of Financial Condition and Results of Operations in our Fiscal 2007 Form 10-K.

Impact of Recently Issued Accounting Pronouncements

As described in Note B Recent Accounting Pronouncements in our Notes to Condensed Consolidated Financial Statements included in this Form 10-Q/A, there are accounting pronouncements that have recently been issued but have not yet been implemented by us. Note B in this Form 10-Q/A describes the potential impact that these pronouncements are expected to have on our financial position, results of operations and cash flows.

Item 3. 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.

Exchange Rate Risk

We use foreign exchange contracts to hedge both balance sheet and off-balance sheet future foreign currency commitments. Generally, these foreign exchange contracts offset foreign currency denominated inventory and purchase commitments from suppliers; accounts receivable from, and future committed sales to, customers; and inter-company loans. We believe the use of foreign currency financial instruments reduces the risks that arise from doing business in international markets. At September 28, 2007, we had open foreign exchange contracts with a notional amount of \$61.5 million (\$52.5 million at June 29, 2007), of which \$19.1 million (\$15.1 million at June 29, 2007) were designated as Statement 133 hedges and \$42.4 million (\$37.4 million at June 29, 2007) were not designated as Statement 133 hedges. At September 28, 2007, contract expiration dates range from less than one month to three months with a weighted average contract life of approximately one month. More specifically, the foreign exchange contracts designated as Statement 133 hedges have been used primarily to hedge currency exposures from customer orders denominated in non-functional currencies currently in backlog.

As of September 28, 2007, we estimated that a pre-tax gain of \$0.3 million would be reclassified into earnings from comprehensive income within the next three months related to these cash flow hedges.

We immediately recognize in earnings any portion of a derivative's change in fair value which is assessed as ineffective in accordance with the provisions of Statement 133. Amounts included in our Statements of Operations in the first quarter of fiscal 2008 and the first quarter of fiscal 2007 representing hedge ineffectiveness were not significant.

We recognized less than \$0.1 million, in our Statements of Operations in the first quarter of fiscal 2008 and the first quarter of fiscal 2007 related to the component of the derivative instruments gain or loss excluded from the assessment of hedge ineffectiveness. All of these derivatives were recorded at their fair value on the balance sheet in accordance with Statement 133.

Table of Contents

Factors that could impact the effectiveness of our hedging programs for foreign currency include accuracy of sales estimates, volatility of currency markets and the cost and availability of hedging instruments. A 10% adverse change in currency exchange rates would not have a material impact on our financial condition, cash flow or results of operations.

Interest Rate Risk

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

We had \$79.3 million in cash, cash equivalents and short-term investments at September 28, 2007. Short-term investments totaled \$15.1 million at September 28, 2007. At September 28, 2007, short-term investments had contractual maturities ranging from 1 month to 11 months.

The primary objective of our short-term investment activities is to preserve principal while maximizing yields, without significantly increasing risk. Our short-term investments are at fixed interest 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 short-term investments prior to maturity have not been significant. The average number of days to maturity for short-term investments held at September 28, 2007 was 123 days and had an average yield of 5.3% per annum. The average number of days to maturity for our cash equivalents at September 28, 2007 was 9 days and had an average yield of 5.3% per annum. The potential loss in fair value resulting from a hypothetical 10% decrease in quoted market price was approximately \$1.5 million at September 28, 2007 and \$2.4 million at June 29, 2007.

As of September 28, 2007, unrealized gains on short-term investments were less than \$0.1 million. The investments have been recorded at fair value on our balance sheet.

Exposure on Borrowings: Any borrowings under the revolving portion of our credit facility will be at an interest rate of the bank's prime rate or LIBOR plus 2%. As of September 28, 2007 we had \$26.6 million of available credit. All of our borrowings at September 28, 2007 bear interest at fixed rates. A hypothetical 10% change in interest rates would not have a material impact on our financial position, results of operations or cash flows.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures: Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) (the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q. Subsequent to the end of this period, the Company identified certain accounting errors that resulted in a restatement to the Company's interim consolidated financial statements for the first three quarters of fiscal 2008 (the quarters ended March 28, 2008, December 28, 2007 and September 28, 2007) and the fiscal years ended June 29, 2007, June 30, 2006, and July 1, 2005. During management's evaluation of effectiveness of the Company's internal control over financial reporting as of June 27, 2008, two material weaknesses, relating to the accounting for certain project cost variances and reconciliation of certain balance sheet accounts, were identified as described in our amended fiscal 2007 Form 10-K. The Chief Executive Officer and Chief Financial Officer have concluded that these material weaknesses existed as of the end of the period covered by this Quarterly Report on Form 10-Q, and as such, our disclosure controls and procedures were not effective.

Changes in Internal Control over Financial Reporting – Plan for Remediation of Material Weaknesses: As discussed above, two material weaknesses were identified during management's evaluation of the effectiveness of the Company's internal control over financial reporting as of June 27, 2008. As such, the Company's plan for remediation of these material weaknesses, as described in our amended fiscal 2007 Form 10-K, had not yet been initiated and there were no changes in our internal controls over financial reporting for the period covered by this Quarterly Report that materially affected our internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Descriptions of our legal proceedings are contained in Part I, Item 1, Financial Statements Notes to Condensed Consolidated Financial Statements Note Q.

Item 1A. Risk Factors.

Investors should carefully review and consider the information regarding certain factors which could materially affect our business, operating results, cash flows and financial condition set forth under Item 1A. Risk Factors in our Fiscal 2007 Form 10-K/A. We do not believe that there have been any material changes to the risk factors previously disclosed in our Fiscal 2007 Form 10-K/A, although we may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

Item 6. Exhibits.

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

- (15) Letter Regarding Unaudited Interim Financial Information.
- (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.

Table of Contents

SIGNATURE

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

HARRIS STRATEX NETWORKS, INC.
(Registrant)

Date: September 25, 2008

By: /s/ Sarah A. Dudash

Sarah A. Dudash
Vice President and Chief Financial Officer
(principal financial officer and duly authorized
officer)

42

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description
(15)	Letter Regarding Unaudited Interim Financial Information.
(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.