JEFFERIES GROUP INC /DE/
Form 424B3
July 18, 2012
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Prospectus Supplement

(To prospectus dated May 22, 2012)

Jefferies Group, Inc.

Notes Due Nine Months or More from Date of Issue

We plan to offer our Notes Due Nine Months or More from the Date of Issue (the notes) from time to time with various terms, which may include interest at a fixed rate, redemption and/or repayment provisions (whether mandatory or at our option or the option of the holder), minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof. The specific terms of the notes will be set forth in the applicable pricing supplement, which terms may be different from the terms described in this prospectus supplement. The notes will be our senior unsecured obligations and will rank equally in right of payment with all of our other senior unsecured indebtedness. You should carefully read this prospectus supplement, the accompanying prospectus and the applicable pricing supplement before you invest.

We may sell the notes to the purchasing agent referred to below as principal for resale at a fixed offering price specified in the applicable pricing supplement or at varying prices. We may also agree with the purchasing agent and the members of the Selling Group (as defined herein) that they will use reasonable efforts as agents on our behalf to solicit offers to purchase notes through the purchasing agents from us, in accordance with applicable regulations, for which the purchasing agent will receive a discount. We expect to sell the notes to the purchasing agent at discounts ranging between 0.3% and 3.15% or at discounts outside that range specified in the applicable pricing supplement. We also may offer the notes directly to investors without the assistance of the purchasing agent or the members of the Selling Group.

The purchasing agent and the members of the Selling Group have advised us that from time to time they may purchase and sell notes in the secondary market, but they are not obligated to make a market in the notes and may suspend or completely stop that activity at any time. Unless otherwise specified in any pricing supplements, we do not intend to list the notes on any stock exchange.

Investing in the notes involves risks that are described in the Risk Factors section on page S-4 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Purchasing Agent

Jefferies

Prospectus supplement dated July 18, 2012.

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Prospectus Supplement

Prospectus

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date later than the date on the front of this prospectus supplement.

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IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS

SUPPLEMENT AND THE PRICING SUPPLEMENTS

This prospectus supplement describes certain terms of the notes being offered and supplements the prospectus that is attached to the back of this prospectus supplement. This prospectus supplement supersedes the prospectus to the extent it contains information that is different from the information in the prospectus.

Each time we offer notes pursuant to this prospectus supplement, we will attach a pricing supplement to this prospectus supplement. The pricing supplement will contain the specific description of the notes we are offering and the terms of the offering. The pricing supplement will supersede this prospectus supplement or the prospectus to the extent it contains information that is different from the information contained in this prospectus supplement or the prospectus.

It is important for you to read and consider all information contained in this prospectus supplement and the accompanying prospectus and pricing supplement in making your investment decision. You should also read and consider the information contained in the documents identified in Where You Can Find More Information and Incorporation of Certain Information by Reference in this prospectus supplement.

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SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain or incorporate by reference forward-looking statements within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are not statements of historical fact and represent only our belief as of the date such statements are made. There are a variety of factors, many of which are beyond our control, which affect our operations, performance, business strategy and results and could cause actual reported results and performance to differ materially from the performance and expectations expressed in these forward-looking statements. These factors include, but are not limited to, financial market volatility, actions and initiatives by current and future competitors, general economic conditions, the effects of current, pending and future legislation or rulemaking by regulatory or self-regulatory bodies, regulatory actions, and the other risks and uncertainties that are outlined in our Annual Report on Form 10-K for the year ended November 30, 2011 filed with the U.S. Securities and Exchange Commission, or the SEC, on January 27, 2012 and in our Quarterly Reports on Form 10-Q for the quarterly periods ended February 28, 2012 and May 31, 2012 filed with the SEC on April 5, 2012 and July 9, 2012, respectively. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date they are made. We do not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date of the forward-looking statements.

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PROSPECTUS SUPPLEMENT SUMMARY

In this prospectus supplement, we refer to our subsidiaries Jefferies & Company, Inc. as Jefferies, Jefferies Financial Products LLC as JFP and Jefferies International Limited as JIL.

The Company

Jefferies Group, Inc. (Jefferies , we , us or our) and its subsidiaries operate as a global full service, integrated securities and investment banking firm. Our principal operating subsidiary, Jefferies & Company, Inc., was founded in the U.S. in 1962 and our first international operating subsidiary, Jefferies International Limited, was established in the U.K. in 1986. On July 1, 2011, we acquired the Bache Global Commodities Group from Prudential Financial, Inc. and we now operate a full service futures commission merchant through Jefferies Bache, LLC in the U.S. and a global commodities and financial derivatives broker through Jefferies Bache Limited in the U.K. Since 2000, we have grown considerably and become increasingly diversified, increasing our market share and the breadth of our business. Our growth has been achieved through the ongoing addition of talented personnel in targeted areas, as well as the acquisition of complementary businesses.

Our global headquarters and executive offices are located at 520 Madison Avenue, New York, New York 10022. We also have regional headquarters offices in London and Hong Kong. Our primary telephone number is (212) 284-2550 and our Internet address is jefferies.com.

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THE OFFERING

The summary below contains basic information about the notes. It does not contain all the information that is important to you. For a more complete understanding of the notes, please refer to the section of this prospectus supplement entitled Description of the Notes, the accompanying prospectus and the applicable pricing supplement.

Issuer	Jefferies Group, Inc., a Delaware corporation.
Purchasing Agent	Jefferies & Company, Inc.
Selling Group	The purchasing agent and the agents and dealers comprising the Selling Group are broker-dealers and securities firms. The purchasing agent has entered into a Purchasing Agent Agreement with us dated as of July 17, 2012. Other agents and dealers who are members of the Selling Group will have executed a Master Selected Dealer Agreement with the purchasing agent. The other agents and the dealers have agreed to market and sell the notes in accordance with the terms of those respective agreements and all other applicable laws and regulations. You may contact the purchasing agent at 1-877-877-0696 for a list of Selling Group members.
Amount	We may issue notes from time to time in various offerings up to the aggregate principal amount authorized by our board of directors. There are no limitations on our ability to incur additional indebtedness in the form of additional notes or otherwise.
Maturities	The notes will be due nine months or more from the date of issue, as specified in the applicable pricing supplement.
Interest	Each note will bear interest from its date of original issuance at a fixed rate, which rate may be zero in the case of a zero-coupon note.
	Interest on each note will be payable either monthly, quarterly, semi-annually or annually on each interest payment date and on the stated maturity date. Interest also will be paid on the date of redemption or repayment if a note is redeemed or repurchased prior to its stated maturity date.
	Interest on the notes will be computed on the basis of a 360-day year of twelve 30-day months, unless otherwise stated in the applicable pricing supplement.
Principal	The principal amount of the notes will be payable on the maturity date of those notes at the corporate trust office of the trustee or at any other place we may designate.
Ranking	The notes will be our senior unsecured obligations and will rank equally in right of payment with all of our other senior unsecured indebtedness.

Denominations	Unless otherwise specified in the applicable pricing supplement, the notes will be issued and sold in denominations of $1,000 and integral multiples of $1,000 in excess thereof.

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Redemption and Repayment	Unless otherwise stated in the applicable pricing supplement, (i) the notes will not be redeemable prior to the maturity date at our option or repayable prior to the maturity date at the option of the holder and (ii) the notes will not be subject to any sinking fund.
Survivor s Option	Specific notes may contain a provision permitting the optional repayment of those notes prior to stated maturity, if requested by the authorized representative of the beneficial owner of those notes, following the death of the beneficial owner of the notes, so long as the notes were owned by the beneficial owner or his or her estate at least six months prior to the request. This feature is referred to as a Survivor s Option. Your notes will not be repaid in this manner unless the pricing supplement for your notes provides for the Survivor s Option. The right to exercise the Survivor s Option is subject to limits set by us on (1) the permitted dollar amount of total exercises by all holders of notes in any calendar year, and (2) the permitted dollar amount of an individual exercise by a holder of a note in any calendar year. See Description of the Notes Survivor s Option on page S-15.
Form of Notes and Clearance	The notes will be represented by one or more global notes deposited with or on behalf of the depositary, The Depository Trust Company, and registered in the name of the depositary s nominee. Global notes will be exchangeable for definitive notes only in limited circumstances. See Description of Notes Book-Entry System.
Trustee	The trustee for the notes is The Bank of New York Mellon.
Conflict of interest	Jefferies & Company, Inc., our broker-dealer subsidiary, is a member of FINRA. It will be a purchasing agent and will participate in the distribution of the notes being offered hereby. Accordingly, the offering is subject to the provisions of FINRA Rule 5121 relating to conflicts of interests and will be conducted in accordance with the requirements of Rule 5121. See Conflict of Interest.

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RISK FACTORS

In addition to the other information contained and incorporated by reference in this prospectus supplement, the accompanying prospectus and the applicable pricing supplement, you should consider carefully the following factors before deciding to purchase the notes.

Risks Associated with the Offering

In the absence of an active trading market for the notes, you may not be able to resell them.

We can offer no assurance as to the liquidity of the market for the notes, your ability to sell the notes or the price at which you may be able to sell them. Future trading prices of the notes will depend on many factors, including, among other things, prevailing interest rates, our operating results, our credit ratings and the market for similar securities. We do not intend to list the notes on any securities exchange. The agents have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so and may discontinue any market making at any time without notice.

If we redeem the notes before maturity, you may be unable to reinvest the proceeds at the same or a higher rate of return.

If an applicable pricing supplement so states, we may elect to redeem notes at any time in our discretion. The redemption price will equal the principal amount being redeemed, plus accrued interest to the redemption date, plus any additional amount described under Description of the Notes. If a redemption occurs, you may be unable to reinvest the money you receive in the redemption at a rate that is equal to or higher than the rate of return on the notes.

The notes will be effectively subordinated to liabilities of our subsidiaries.

The notes will be the obligations of Jefferies Group, Inc. exclusively and will not be guaranteed by any of our subsidiaries or secured by any of our properties or assets. Jefferies Group, Inc. is a holding company. We conduct almost all of our operations through our subsidiaries and a significant portion of our consolidated assets are held by our subsidiaries. Accordingly, our cash flow and our ability to service debt, including the notes, is in large part dependent upon the results of operations of our subsidiaries and upon the ability of our subsidiaries to provide us cash (whether in the form of dividends, loans or otherwise) to pay amounts due in respect of our obligations, to pay any amounts due on the notes or to make any funds available to pay such amounts. In addition, dividends, loans and other distributions from our subsidiaries to us are subject to restrictions imposed by law, including minimum net capital requirements, are contingent upon results of operations of such subsidiaries and are subject to various business considerations.

The notes will be effectively subordinated as a claim against the assets of our subsidiaries to all existing and future liabilities of those subsidiaries (including indebtedness, guarantees, customer and counterparty obligations, trade payables, lease obligations and letter of credit obligations). Therefore, our rights and the rights of our creditors, including the holders of the notes, to participate in the assets of any subsidiary upon its liquidation or reorganization will be subject to the prior claims of its creditors, except to the extent that we or they may be a creditor with recognized claims against the subsidiary.

Changes in our credit ratings may affect the trading value of the notes.

Our credit ratings are an assessment of our ability to pay our obligations. Consequently, real or anticipated changes in our credit ratings may affect the trading value of the notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization. No person is obligated to maintain any rating on the notes, and, accordingly, we cannot assure you that the ratings assigned to the notes will not be lowered or withdrawn by the assigning rating organization at any time thereafter.

Any Survivor s Option may be limited in amount and time.

We may choose to limit the aggregate principal amount of notes that may be redeemed under the Survivor s Option in any calendar year to the greater of (i) $2,000,000 or (ii) 2% of the principal amount of all notes outstanding as of the end of the most recent calendar year. This limit is described in detail under the heading Description of the Notes Survivor s Option. We also may limit to $250,000 the aggregate principal amount of notes subject to the Survivor s Option that may be exercised in any calendar year on behalf of any one deceased owner of beneficial interests in one or more notes. Accordingly, no assurance can be given that exercise of the Survivor s Option for the desired amount will be permitted in any single calendar year. Furthermore, a Survivor s Option may not be exercised until at least six months after the date the note was acquired by its deceased beneficial owner.

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USE OF PROCEEDS

Unless otherwise indicated in a pricing supplement for the notes, we will use the net proceeds from the sale of notes for general corporate purposes, including working capital, the repayment of debt and the further development and diversification of our businesses.

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RATIO OF EARNINGS TO FIXED CHARGES

	SIX MONTHS ENDED MAY 31, 2012	TWELVE MONTHS ENDED NOVEMBER 30, 2011	ELEVEN MONTHS ENDED NOVEMBER 30, 2010	TWELVE MONTHS ENDED DECEMBER 31, 2009	2008	2007
Ratio of earnings to fixed charges [1]	2.7x	2.4x	2.9x	4.2x	[2]	2.8x

[1] The ratio of earnings to fixed charges is computed by dividing (a) income from continuing operations before income taxes plus fixed charges by (b) fixed charges. Fixed charges consist of interest expense on all long-term indebtedness and the portion of operating lease rental expense that is representative of the interest factor (deemed to be one-third of operating lease rentals).

[2] Earnings for the year ended December 31, 2008 were insufficient to cover fixed charges by approximately $756.3 million.

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DESCRIPTION OF THE NOTES

General

The following description of the notes we are offering supplements, and to the extent inconsistent therewith supersedes, the description of the general terms and provisions of the debt securities set forth in the accompanying prospectus. We refer you to that description.

We will issue the notes under an indenture dated as of March 12, 2002 between us and The Bank of New York Mellon, as trustee, as supplemented by a first supplemental indenture, dated as of July 15, 2003. We have normal banking relationships with The Bank of New York Mellon. The indenture is more fully described in the accompanying prospectus. The indenture does not limit the aggregate amount of debt securities that may be issued under it and provides that the debt securities may be issued under it from time to time in one or more series. The following statements are summaries of the material provisions of the indenture and the notes. These summaries do not purport to be complete and are qualified in their entirety by reference to the indenture, including for the definitions of certain terms.

The notes constitute a single series of debt securities for purposes of the indenture and are unlimited in aggregate principal amount.

Notes issued in accordance with this prospectus supplement, the accompanying prospectus and the applicable pricing supplement will have the following general characteristics:

- the notes will be our direct unsecured senior obligations and will rank equally with all of our other unsecured senior indebtedness from time to time outstanding;
- the notes may be offered from time to time by us through the purchasing agent and each note will mature on a day that is at least nine months from its date of original issuance;
- each note will bear interest from its date of original issuance;
- the notes will not be subject to any sinking fund; and
- the minimum denomination of the notes will be $1,000 (unless otherwise stated in the pricing supplement).

In addition, the pricing supplement relating to each offering of notes will describe specific terms of the notes, including:

- the price, which may be expressed as a percentage of the aggregate initial public offering price of the notes, at which the notes will be issued to the public;
- the date on which the notes will be issued to the public;
- the stated maturity date of the notes;
- the rate per year at which the notes will bear interest;

- the interest payment frequency;
- the purchase price, purchasing agent s discount and net proceeds to us;
- whether the authorized representative of the holder of a beneficial interest in the notes will have the right to seek repayment upon the death of the holder as described under Survivor s Option on page S-15;
- if the notes may be redeemed at our option or repaid at the option of the holder prior to their stated maturity date, the provisions relating to any such redemption or repayment;
- any special U.S. federal income tax consequences of the purchase, ownership and disposition of the notes; and
- any other significant terms of the notes not inconsistent with the provisions of the indenture.

We may at any time purchase notes at any price or prices in the open market or otherwise. Notes so purchased by us may, at our discretion, be held, resold or surrendered to the trustee for cancellation.

The notes may be issued as original issue discount notes. An original issue discount note is a note, including any zero-coupon note, which is issued at more than a de minimis discount from its principal amount and provides that, upon redemption, repayment or acceleration of its maturity, an amount less than its principal amount will be payable. For additional information regarding payments upon acceleration of the maturity of an original issue discount note and regarding the United States federal tax considerations of original issue discount notes, see Payment of Principal and Interest and Material United States Federal Income Tax Consequences United States Holders Original Issue Discount. Original issue discount notes will be treated as original issue discount securities for purposes of the indenture.

Payment of Principal and Interest

Payments of principal and interest, if any, at maturity will be made in immediately available funds, provided that the note is presented to the trustee in time for the trustee to make the payments in such funds in accordance with its normal procedures. Payments of interest, other than interest payable at maturity, with respect to global notes will be paid in immediately available funds to the depositary or its nominee. The depositary will allocate payments relating to a global note and make payments to the owners or holders of the global notes in accordance with its existing operating procedures. Neither we nor the trustee will have any responsibility or liability for these payments by the depositary. So long as the depositary or its nominee is the registered owner of any global note, the depositary or its nominee will be considered the sole owner or holder of such note for all purposes under the indenture.

Payments of interest, if any, with respect to any certificated note, other than amounts payable at maturity will be paid by check mailed to the address of the person entitled to the payments as it appears in the security register.

Unless we otherwise specify in the applicable pricing supplement, if we redeem any original issue discount note as described below under Redemption and Repurchase, or we repay any such note at the option of the holder as described below under Repayment at Option of Holder and Survivor s Option, or if the principal of any such note is declared to be due and payable immediately as described in the accompanying prospectus under Description of Securities We May Offer Debt Securities Defaults, the amount of principal due and payable with respect to the original issue discount note will be limited to the sum of the aggregate principal amount of the note multiplied by the issue price, expressed as a percentage of the aggregate principal amount, plus the original issue discount accrued from the date of issue to the date of redemption, repayment or declaration, as applicable, which accrual will be calculated using the interest method, computed in accordance with generally accepted accounting principles, in effect on the date of redemption, repayment or declaration, as applicable.

Each note, other than a zero-coupon note, will bear interest from and including the date of issue. Notes issued upon registration of transfer or exchange will bear interest from and including the most recent interest payment date to which interest on such note has been paid or duly provided for. Such interest will be payable at the fixed rate per annum stated in the note and in the applicable pricing supplement until the principal of the note is paid or made available for payment. Interest will be payable on each interest payment date and at maturity. Interest will be payable to the person in whose name a note is registered at the close of business on the regular record date next preceding each interest payment date. However, interest payable at maturity or upon redemption, repayment or declaration will be payable to the person to whom principal will be payable. The first payment of interest on any note originally issued between a regular record date and an interest payment date will be made on the interest payment date following the next succeeding regular record date to the registered owner of the note on such next succeeding regular record date. If the interest payment date or the maturity for any note falls on a day that is not a business day, the payment of principal and interest may be made on the next succeeding business day, and no interest on that payment will accrue for the period from and after that interest payment date or maturity, as the case may be. Unless we otherwise specify in the applicable pricing supplement, interest on the notes will be computed on the basis of a 360-day year of twelve 30-day months.

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Interest on the notes will be paid as follows:

Interest Payment Frequency	*Interest Payment Dates*
Monthly	Fifteenth day of each calendar month, beginning in the first calendar month following the month the note was issued.
Quarterly	Fifteenth day of every third month, beginning in the third calendar month following the month the note was issued.
Semi-annually	Fifteenth day of every sixth month, beginning in the sixth calendar month following the month the note was issued.
Annually	Fifteenth day of every twelfth month, beginning in the twelfth calendar month following the month the note was issued.

Unless otherwise stated in the applicable pricing supplement, the regular record date for any interest payment date will be the first day of the calendar month in which the interest payment date occurs, except that the regular record date for interest due on the note s stated maturity date or date of earlier redemption or repayment will be that particular date.

Interest on a note will be payable beginning on the first interest payment date after its date of original issuance to holders of record on the corresponding regular record date.

Business day means, when used with respect to any place or places where the principal of and any premium or interest on the notes are payable, each Monday Tuesday Wednesday Thursday and Friday which is not a day on which banking institutions in that place of payment are authorized or obligated by law or executive order to close.

Redemption and Repurchase

If we indicate in the pricing supplement relating to a note, such note will be redeemable at our option on a date or dates specified prior to the stated maturity at a price or prices described in the applicable pricing supplement, together with accrued interest to the date of redemption. The notes will not be subject to any sinking fund. We may redeem any of the notes which are redeemable and remain outstanding either in whole or from time to time in part, upon not less than 30 nor more than 60 days notice.

We may at any time purchase notes at any price in the open market or otherwise. Notes we purchase in this manner may, at our discretion, be held, resold or surrendered to the trustee for cancellation.

Repayment at Option of Holder

If we indicate in the pricing supplement relating to a note, such note will be repayable at the option of the holder on a date or dates specified prior to the stated maturity at a price or prices described in the applicable pricing supplement, together with accrued interest to the date of repayment.

In order for a note to be repaid, the trustee must receive at the principal office of the Corporate Trust Department of the trustee at least 30 days, but not more than 45 days, prior to the specified repayment date notice of the holder s exercise of its repayment option as specified in the note. Exercise of the repayment option by the holder of a note will be irrevocable. The repayment option may be exercised by the holder of a note for less than the entire principal amount of the note provided that the principal amount of the note remaining outstanding after repayment, if any, is an authorized denomination.

The depositary or its nominee will be the holder of global notes and therefore will be the only entity that can exercise a right to repayment with respect to those notes. In order to ensure that the depositary or its nominee will timely exercise a right to repayment with respect to a particular global note, the beneficial owner of the note must instruct the broker or other direct or indirect participant through which it holds an interest in the note to notify the depositary of its desire to exercise a right to repayment. Different firms have different cut-off times for accepting instructions

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from their customers and, accordingly, each beneficial owner should consult the broker or other direct or indirect participant through which it holds an interest in a note in order to ascertain the cut-off time by which the instruction must be given in order for timely notice to be delivered to the depositary.

Survivor s Option

The Survivor s Option is a provision in a note pursuant to which we agree to repay that note, if requested by the authorized representative of the beneficial owner of that note, following the death of the beneficial owner of the note, so long as the note was owned by that beneficial owner or the estate of that beneficial owner at least six months prior to the request. The pricing supplement relating to each offering of notes will state whether the Survivor s Option applies to those notes.

If a note is entitled to a Survivor s Option, upon the valid exercise of the Survivor s Option and the proper tender of that note for repayment, we will, at our option, repay or repurchase that note, in whole or in part, at a price equal to 100% of the principal amount of the deceased beneficial owner s interest in that note plus unpaid interest accrued to the date of repayment.

To be valid, the Survivor s Option must be exercised by or on behalf of the person who has authority to act on behalf of the deceased beneficial owner of the note (including, without limitation, the personal representative or executor of the deceased beneficial owner or the surviving joint owner with the deceased beneficial owner) under the laws of the applicable jurisdiction.

The death of a person holding a beneficial ownership interest in a note as a joint tenant or tenant by the entirety with another person, or as a tenant in common with the deceased holder s spouse, will be deemed the death of a beneficial owner of that note, and the entire principal amount of the note so held will be subject to repayment by us upon request. However, the death of a person holding a beneficial ownership interest in a note as tenant in common with a person other than such deceased holder s spouse will be deemed the death of a beneficial owner only with respect to such deceased person s interest in the note.

The death of a person who, during his or her lifetime, was entitled to substantially all of the beneficial ownership interests in a note will be deemed the death of the beneficial owner of that note for purposes of the Survivor s Option, regardless of whether that beneficial owner was the registered holder of that note, if entitlement to those interests can be established to the satisfaction of the trustee. A beneficial ownership interest will be deemed to exist in typical cases of nominee ownership, ownership under the Uniform Transfers to Minors Act or Uniform Gifts to Minors Act, community property or other joint ownership arrangements between a husband and wife. In addition, a beneficial ownership interest will be deemed to exist in custodial and trust arrangements where one person has all of the beneficial ownership interests in the applicable note during his or her lifetime.

We have the discretionary right to limit the aggregate principal amount of notes as to which exercises of the Survivor s Option shall be accepted by us from authorized representatives of all deceased beneficial owners in any calendar year to an amount equal to the greater of $2,000,000 or 2% of the principal amount of all notes outstanding as of the end of the most recent calendar year. We also have the discretionary right to limit to $250,000 in any calendar year the aggregate principal amount of notes as to which exercises of the Survivor s Option shall be accepted by us from the authorized representative of any individual deceased beneficial owner of notes in such calendar year. In addition, we will not permit the exercise of the Survivor s Option except in principal amounts of $1,000 and integral multiples of $1,000.

An otherwise valid election to exercise the Survivor s Option may not be withdrawn. Each election to exercise the Survivor s Option will be accepted in the order that elections are received by the trustee, except for any note the acceptance of which would contravene any of the limitations described in the preceding paragraph. Notes accepted for repayment through the exercise of the Survivor s Option normally will be repaid on the first interest payment date that occurs 20 or more calendar days after the date of the acceptance. For example, if the acceptance date of a note tendered through a valid exercise of the Survivor s Option is July 1, 2012, and interest on that note is paid monthly, we would normally, at our option, repay that note on the interest payment date occurring on August 15, 2012, because the July 15, 2012 interest payment date would occur less than 20 days from the date of acceptance. Each tendered note

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that is not accepted in any calendar year due to the application of any of the limitations described in the preceding paragraph will be deemed to be tendered in the following calendar year in the order in which all such notes were originally tendered. If a note tendered through a valid exercise of the Survivor s Option is not accepted, the trustee will deliver a notice by first-class mail to the registered holder, at that holder s last known address as indicated in the note register (and as provided to us by the trustee), that states the reason that note has not been accepted for repayment.

With respect to notes represented by a global note, DTC or its nominee is treated as the holder of the notes and will be the only entity that can exercise the Survivor s Option for such notes. To obtain repayment pursuant to exercise of the Survivor s Option for a note, the deceased beneficial owner s authorized representative must provide the following items to the broker or other entity through which the beneficial interest in the note is held by the deceased beneficial owner:

- a written instruction to such broker or other entity to notify DTC of the authorized representative s desire to obtain repayment pursuant to exercise of the Survivor s Option;
- appropriate evidence satisfactory to the trustee (a) that the deceased was the beneficial owner of the note at the time of death and his or her interest in the note was owned by the deceased beneficial owner or his or her estate at least six months prior to the request for repayment, (b) that the death of the beneficial owner has occurred, (c) of the date of death of the beneficial owner, and (d) that the representative has authority to act on behalf of the beneficial owner;
- if the interest in the note is held by a nominee of the deceased beneficial owner, a certificate satisfactory to the trustee from the nominee attesting to the deceased s beneficial ownership of such note;
- written request for repayment signed by the authorized representative of the deceased beneficial owner with the signature guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office or correspondent in the United States;
- if applicable, a properly executed assignment or endorsement;
- tax waivers and any other instruments or documents that we or the trustee reasonably require in order to establish the validity of the beneficial ownership of the note and the claimant s entitlement to payment; and
- any additional information we or the trustee reasonably require to evidence satisfaction of any conditions to the exercise of the Survivor s Option or to document beneficial ownership or authority to make the election and to cause the repayment of the note.

In turn, the broker or other entity will deliver each of these items to the trustee, together with evidence satisfactory to the trustee from the broker or other entity stating that it represents the deceased beneficial owner.

We retain the right to limit the aggregate principal amount of notes as to which exercises of the Survivor s Option applicable to the notes will be accepted in any one calendar year as described above. All other questions regarding the eligibility or validity of any exercise of the Survivor s Option will be determined by the trustee, in its sole discretion, which determination will be final and binding on all parties.

The broker or other entity will be responsible for disbursing payments received from the trustee to the authorized representative. See Book Entry, Delivery and Form below.

Forms for the exercise of the Survivor s Option may be obtained from the trustee at 2001 Bryan St., Dallas, Texas 75201, Attention: Survivor Option Group.

If applicable, we will comply with the requirements of Section 14(e) of the Securities Exchange Act of 1934, and the rules promulgated thereunder, and any other securities laws or regulations in connection with any repayment of notes at the option of the registered holders or beneficial owners thereof.

Book-Entry, Delivery and Form

We have established a depository arrangement with The Depository Trust Company (DTC) with respect to book-entry notes, the terms of which are summarized below. Any additional or differing terms of the depository arrangement with respect to book-entry notes will be described in the applicable pricing supplement.

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Upon issuance, all book-entry notes of like tenor and terms up to $500,000,000 in aggregate principal amount bearing interest (if any) at the same rate or pursuant to the same formula and having the same date of issue, specified currency, interest payment dates (if any), stated maturity date, redemption provisions (if any), repayment provisions (if any) and other terms will be represented by a single global security. Each global security representing book-entry notes will be deposited with, or on behalf of, DTC and will be registered in the name of DTC or a nominee of DTC. No global security may be transferred except as a whole by a nominee of DTC to DTC or to another nominee of DTC, or by DTC or that nominee to a successor of DTC or a nominee of that successor.

So long as DTC or its nominee is the holder of a global security, DTC or its nominee, as the case may be, will be the sole owner of the book-entry notes represented thereby for all purposes under the indenture. Except as otherwise provided below, the beneficial owners of the global security or securities representing book-entry notes will not be entitled to receive physical delivery of certificated notes and will not be considered the holders of those notes for any purpose under the indenture, and no global security representing book-entry notes shall be exchangeable or transferable. Accordingly, each beneficial owner must rely on the procedures of DTC and, if such beneficial owner is not a participant in DTC s system, on the procedures of the participant through which that beneficial owner owns its interest in order to exercise any rights of a registered holder under such global security or the indenture. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of those securities in certificated form. Those limits and those laws may impair the ability to transfer beneficial interests in a global security representing book-entry notes.

The notes represented by one or more global notes are exchangeable for certificated notes of like tenor as such notes if:

- the depositary for such global notes notifies us that it is unwilling or unable to continue as depositary for such global notes or if at any time such depositary ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended,
- we in our discretion at any time determine not to have all of the notes of such series represented by one or more global note or notes and notify the trustee of such determination, or
- an event of default, as described in the accompanying prospectus, has occurred and is continuing with respect to the notes of such series.

Upon the occurrence of any of these exchanges, the certificated notes will be registered in the names of the beneficial owners of the global security or securities representing book-entry notes, which names will be provided by DTC s participants (as identified by DTC) to the trustee.

Any note that is exchangeable pursuant to the preceding paragraph is exchangeable for certificated notes issuable in authorized denominations and registered in such names as DTC holding such global notes shall direct. Except as we may otherwise specify in a pricing supplement, the authorized denominations of the notes denominated in U.S. dollars will be $1,000 or any greater amount that is an integral multiple of $1,000. The authorized denominations of notes denominated in a specified currency other than U.S. dollars will be described in the applicable pricing supplement. Subject to the foregoing, a global note is not exchangeable, except for a global note or global notes of the same aggregate denominations to be registered in the name of DTC or its nominee.

The following is based on information furnished by DTC:

DTC will act as securities depositary for the book-entry notes. Book-entry notes will be issued as fully registered securities registered in the name of Cede & Co. (DTC s partnership nominee). One fully registered global security will be issued for each issue of book-entry notes, each in the aggregate principal amount of that issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500,000,000, one global security will be issued with respect to each $500,000,000 of principal amount and an additional global security will be issued with respect to any remaining principal amount of such issue.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the

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provisions of Section 17A of the Securities Exchange Act or 1934, as amended. DTC holds securities that its participants (participants) deposit with it. DTC also facilitates the settlement among its participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in its participants accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants of DTC include securities brokers and dealers (including the agents), banks, trust companies, clearing corporations and other organizations. DTC is owned by a number of its direct participants and by the New York Stock Exchange, the NYSE Amex Equities, and the Financial Industry Regulatory Authority, Inc. Access to DTC s system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

Purchases of book-entry notes under DTC s system must be made by or through direct participants, which will receive a credit for those book-entry notes on DTC s records. The beneficial ownership interest of each actual purchaser of each book-entry note represented by a global security (beneficial owner) is in turn to be recorded on the records of the direct participants and indirect participants. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct participants or indirect participants through which that beneficial owner entered into the transaction. Transfers of ownership interests in a global security representing book-entry notes are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners of a global security representing book-entry notes will not receive certificated notes representing their ownership interests in a global security, except in the event that use of the book-entry system for those book-entry notes is discontinued.

To facilitate subsequent transfers, all global securities representing book-entry notes which are deposited with, or on behalf of, DTC are registered in the name of DTC s nominee, Cede & Co. The deposit of global securities with, or on behalf of, DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of interests in the global securities representing the book-entry notes. DTC s records reflect only the identity of the direct participants to whose accounts such book-entry notes are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the global securities representing book-entry notes. Under its usual procedures, DTC mails an omnibus proxy to us as soon as possible after the applicable record date. The omnibus proxy assigns Cede & Co. s consenting or voting rights to those direct participants to whose accounts book-entry notes are credited on the applicable record date (identified in a listing attached to the omnibus proxy).

Principal, premium, if any, and/or interest payments on the global securities representing book-entry notes will be made in immediately available funds to DTC. DTC s practice is to credit direct participants accounts on the applicable payment date in accordance with their respective holdings shown on DTC s records unless DTC has reason to believe that it will not receive payment on that date. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such participant and not of DTC, the trustee or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and/or interest, if any, to DTC is our responsibility or that of the trustee, disbursement of those payments to direct participants will be the responsibility of DTC, and disbursement of those payments to the beneficial owners will be the responsibility of direct participants and indirect participants.

If applicable, redemption notices will be sent to Cede & Co. If less than all of the book-entry notes of like tenor and terms within an issue are being redeemed, DTC s practice is to determine by lot the amount of the interest of each direct participant in that issue to be redeemed.

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A beneficial owner will give notice of any option to elect to have its book-entry notes repaid by us, through its participant, to the trustee, and will effect delivery of those book-entry notes by causing the direct participant to transfer the participant s interest in the global security or securities representing those book-entry notes, on DTC s records, to the trustee. The requirement for physical delivery of book-entry notes in connection with a demand for repayment will be deemed satisfied when the ownership rights in the global security or securities representing those book-entry notes are transferred by direct participants on DTC s records.

DTC may discontinue providing its services as securities depositary with respect to book-entry notes at any time by giving reasonable notice to us or the trustee. Under those circumstances, in the event that a successor securities depositary is not obtained, certificated notes are required to be printed and delivered.

We may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificated notes will be printed and delivered.

The information in this section concerning DTC and its system has been obtained from sources that we believe to be reliable, but neither we nor any agent take responsibility for the accuracy of that information.

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PLAN OF DISTRIBUTION

Under the terms of the Purchasing Agent Agreement dated as of July 17, 2012 the notes will be offered from time to time by us through Jefferies & Company, Inc., our wholly owned subsidiary, and Incapital LLC as purchasing agents under the Purchasing Agent Agreement. The purchasing agents have agreed to use their reasonable best efforts to solicit purchases of the notes. We may appoint additional agents to solicit sales of the notes. However, any such solicitation and sale of the notes will be on the same terms and conditions to which the purchasing agents have agreed.

We will pay the agents, through Jefferies & Company, Inc., a commission to be divided among the agents as they shall agree for notes sold through the agents on an agency basis. Unless otherwise agreed for a particular offering of notes, the commission will range from 0.3% to 3.15% of the principal amount for each note sold, depending upon the maturity. Commissions with respect to notes with maturities in excess of 30 years will be negotiated between us and the purchasing agent at the time of sale. We will have the sole right to accept offers to purchase notes and may reject any proposed purchase of notes in whole or in part. Each agent will have the right, in its discretion reasonably exercised, to reject any proposed purchase of notes in whole or in part received by it on an agency basis. We reserve the right to withdraw, cancel or modify the offer without notice.

Following the solicitation of orders, the agents, severally and not jointly, may purchase notes from us through the purchasing agent as principal for their own accounts. Unless otherwise set forth in the applicable pricing supplement, any note sold to an agent as principal will be purchased by the purchasing agent from us at a discount to the principal amount not to exceed the commission applicable to an agency sale of a note of identical maturity. Unless otherwise set forth in the applicable pricing supplement, the notes will be resold to one or more investors and other purchasers at a fixed public offering price.

In addition, the purchasing agent may, and with our consent the other agents may, offer the notes they have purchased as principal to other dealers that are part of the Selling Group. The purchasing agent may sell notes to other dealers at a discount not in excess of the discount it receives when purchasing the notes from us; and, if with our consent the other agents sell notes to dealers, unless otherwise specified in the applicable pricing supplement, the discount allowed to any dealer will not, during the distribution of the notes, exceed the applicable reallowance amount. After the initial public offering of notes to be resold by an agent to investors, the public offering price (in the case of notes to be resold at a fixed public offering price), concession and discount may be changed.

Each agent may be deemed to be an underwriter within the meaning of the Securities Act of 1933, as amended, or the Securities Act. We have agreed to indemnify the agents against certain liabilities, including liabilities under the Securities Act.

No note will have an established trading market when issued. We do not intend to apply for the listing of the notes on any securities exchange, but we have been advised by the agents that the agents intend to make a market in the notes as permitted by applicable laws and regulations. The agents are not obligated to do so, however, and the agents may discontinue making a market at any time without notice. No assurance can be given as to the liquidity of any trading market for any notes. All secondary trading in the notes will settle in immediately available funds. See Description of the Notes Book-Entry, Delivery and Form in this prospectus supplement.

In connection with an offering of the notes, the rules of the Securities and Exchange Commission permit the purchasing agent to engage in certain transactions that stabilize the price of the notes. These transactions may consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the notes. If the purchasing agent creates a short position in the notes in connection with an offering of the notes (i.e., if they sell a larger principal amount of the notes than is set forth on the cover page of the applicable pricing supplement), the purchasing agent may reduce that short position by purchasing notes in the open market. In general, purchases of a security for the purpose of stabilization or to reduce a syndicate short position could cause the price of the security to be higher than it might otherwise be in the absence of such purchases. The purchasing agent makes no representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, the purchasing agent makes no representation that, once commenced, such transactions will not be discontinued without notice.

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Other Selling Group members include broker-dealers and other securities firms that have executed dealer agreements with the purchasing agent. In the dealer agreements, the Selling Group members have agreed to market and sell the notes in accordance with the terms of those agreements and all applicable laws and regulations. You may contact the purchasing agent at 1-877-877-0696 for a list of Selling Group members.

The agents and their affiliates may engage in various general financing and banking transactions with us and our affiliates in the ordinary course of business and have received or may receive compensation from us in connection with such transactions.

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CONFLICT OF INTEREST

Jefferies & Company, Inc., our broker-dealer subsidiary, is a member of FINRA. It will be a purchasing agent and will participate in the distribution of the notes in the offering. Jefferies & Company, Inc. will not confirm sales of the notes to any account over which it exercises discretionary authority without the prior written specific approval of the customer. See Use of Proceeds .

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LEGAL MATTERS

The validity of the notes will be passed on for us by Morgan, Lewis & Bockius LLP, New York, New York. Covington & Burling LLP, New York, New York, is counsel for the agent in connection with this offering. Certain partners of Morgan, Lewis & Bockius LLP hold shares of our common stock and have invested in funds managed by us. Covington & Burling LLP has from time to time acted as counsel for Jefferies Group, Inc. and its subsidiaries and may do so in the future.

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EXPERTS

The consolidated financial statements of Jefferies Group, Inc. (the Company) as of November 30, 2011 and 2010 and for the twelve month period ended November 30, 2011 and the eleven month period ended November 30, 2010, incorporated in this prospectus supplement by reference from the Company s Annual Report on Form 10-K for the year ended November 30, 2011, and the effectiveness of the Company s internal control over financial reporting as of November 30, 2011, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference. Such consolidated financial statements are included in reliance upon the reports of such firm given their authority as experts in accounting and auditing.

The consolidated financial statements of Jefferies Group, Inc. for the year ended December 31, 2009, have been incorporated by reference herein in reliance upon the report of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing. We have agreed to indemnify KPMG LLP with respect to legal costs and expenses they may incur as a result of their successful defense of any legal action or proceeding that may arise as a result of their consent to include their report in our Annual Report on Form 10-K for the year ended November 30, 2011.

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WHERE YOU CAN FIND MORE INFORMATION

As required by the Securities Act of 1933, we filed a registration statement relating to the securities offered by this prospectus with the Securities and Exchange Commission. This prospectus is a part of that registration statement, which includes additional information.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. These SEC filings are also available to the public from the SEC s web site at http://www.sec.gov.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus. Information that we file later with the SEC will automatically update information in this prospectus. In all cases, you should rely on the later information over different information included in this prospectus or the prospectus supplement. We incorporate by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 until this offering is completed:

- Annual Report on Form 10-K for the twelve month period ended November 30, 2011, filed on January 27, 2012;
- Quarterly Report on Form 10-Q for the quarter ended February 29, 2012, filed on April 5, 2012;
- Quarterly Report on Form 10-Q for the quarter ended May 31, 2011, filed on July 9, 2012;
- Current Reports on Form 8-K filed on April 24, 2012 and May 10, 2012.

All documents we file pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and before the later of the completion of the offering of the securities described in this prospectus and the date our affiliates stop offering securities pursuant to this prospectus shall be incorporated by reference in this prospectus from the date of filing of such documents.

You may obtain copies of these documents, at no cost to you, from our Internet website (www.jefferies.com), or by writing or telephoning us at the following address:

Investor Relations

Jefferies Group, Inc.

520 Madison Avenue

New York, New York 10022

(212) 284-2550

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PROSPECTUS

JEFFERIES GROUP, INC.

Debt Securities

Convertible Debt Securities

Warrants

Preferred Stock

Depositary Shares

Purchase Contracts

Units

Common Stock

The securities may be offered in one or more series, in amounts, at prices and on terms to be determined at the time of the offering.

We will provide the specific terms of these securities in supplements to this prospectus. You should read this prospectus and the accompanying prospectus supplement carefully before you invest.

Investing in the securities involves risks. See the Risk Factors section on page 5, as well as in our latest Annual Report on Form 10-K filed with the Securities and Exchange Commission, which we refer to as the SEC, and any updates to those risk factors or new risk factors contained in our subsequent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the SEC, all of which we incorporate by reference herein.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus or any accompanying prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

Jefferies Group, Inc. may use this prospectus in the initial sale of these securities. In addition, Jefferies & Company, Inc. or any other affiliate of Jefferies Group, Inc. may use this prospectus in a market-making transaction in any of these securities after its initial sale. UNLESS JEFFERIES GROUP, INC. OR ITS AGENT INFORMS THE PURCHASER OTHERWISE IN THE CONFIRMATION OF SALE, THIS PROSPECTUS IS BEING USED IN A MARKET-MAKING TRANSACTION.

This prospectus is dated May 22, 2012

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EXPLANATORY NOTE

The prospectus contained herein relates to all of the following:

- the initial offering of debt securities, convertible debt securities, warrants, preferred stock, depositary shares, purchase contracts, units and common stock issuable by Jefferies Group, Inc.;
- the offering of such securities by the holders thereof; and
- market-making transactions from time to time in (1) the securities described above after they are initially offered and sold and (2) the securities of one or more of the same classes that were initially registered under registration statements previously filed by the registrant and that were initially offered and sold prior to the date of the prospectus contained herein (but are now registered hereunder with respect to ongoing market-making transactions).

When the prospectus is delivered to an investor in an initial or a secondary offering described above, the investor will be informed of that fact in the confirmation of sale or in a prospectus supplement. When the prospectus is delivered to an investor who is not so informed, it is delivered in a market-making transaction.

To the extent required, the information in the prospectus, including financial information, will be updated at the time of each offering. Upon each such offering, a prospectus supplement to the base prospectus will be filed.

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You should rely only on the information provided in this prospectus and any applicable prospectus supplement, as well as the information incorporated by reference. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus, any applicable prospectus supplement or any documents incorporated by reference is accurate as of any date other than the date of the applicable document.

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Summary

This summary highlights information contained elsewhere in this prospectus or incorporated by reference into this prospectus as further described below under Incorporation of Certain Information by Reference . This summary does not contain all the information that you should consider before investing in the securities being offered by this prospectus. You should carefully read the entire prospectus, any applicable prospectus supplement and the documents incorporated by reference into this prospectus and any applicable prospectus supplement.

We may offer any of the following securities from time to time:

- debt securities;
- convertible debt securities;
- warrants;
- preferred stock;
- depositary shares;
- purchase contracts;
- units, comprised of one or more debt securities, warrants, shares of preferred stock, depositary shares, purchase contracts, or shares of common stock described in this prospectus, as well as debt or equity securities of third parties, in any combination; and
- common stock.

When we use the term security or securities in this prospectus, we mean any of the securities we may offer with this prospectus, unless we say otherwise. This prospectus, including the following summary, describes the general terms that may apply to the securities; the specific terms of any particular securities that we may offer will be described in the applicable prospectus supplement to this prospectus and may differ from the general terms described herein.

Debt Securities

The debt securities will be our unsecured obligations and will be either senior or subordinated debt. The particular terms of a series of debt securities we offer will be described in more detail in the accompanying prospectus supplement. The prospectus supplement for any offered series of debt securities will describe the applicable terms of the series, including: the title; whether the debt is senior or subordinated; the total principal amount offered; the offering price and, if applicable, the method of determining the price; the maturity date or dates; whether the debt securities are fixed rate debt securities or floating rate debt securities; if the debt securities are fixed rate debt securities, the yearly rate at which the debt security will bear interest, if any, and the interest payment dates; if the debt security is an original issue discount debt security, the yield to maturity; if the debt securities are floating rate debt securities, the interest rate basis; the terms and conditions on which the debt securities may be redeemed at the option of Jefferies; any obligation of Jefferies to redeem, purchase or repay the debt securities at the option of a holder upon the happening of any event and the terms and conditions of redemption, purchase or repayment; and any other specific terms of the debt securities. We will issue the senior and subordinated debt securities under separate debt indentures (as described in Description of Securities We May Offer Debt Securities), each between us and The Bank of New York Mellon, as trustee.

Convertible Debt Securities

The convertible debt securities offered by this prospectus will be our unsecured senior debt obligations and will be convertible into shares of our common stock. We will issue convertible debt securities under an indenture. The terms of the indenture are substantially the same as the senior debt indenture discussed below

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under Description of Securities We May Offer Debt Securities except for: the inclusion of provisions with respect to the conversion of securities; the omission of provisions comparable to those described above under Description of Securities We May Offer Debt Securities Defeasance and the omission of provisions comparable to those described above under Description of Securities We May Offer Debt Securities- Covenants Limitations on Liens and Limitations on Transactions with Affiliates.

Unless otherwise provided for a particular issuance in an accompanying prospectus supplement, the trustee under the indenture (convertible securities) will be The Bank of New York Mellon. The prospectus supplement for any offered series of convertible debt securities will describe all material terms of the series**.**

Warrants

We may issue warrants for the purchase of either debt or equity securities, as well as warrants for the purchase or sale of, or whose cash value is determined by reference to the performance, level or value of, one or more of the following: securities of one or more issuers, including those issued by us and described in this prospectus or debt or equity securities issued by third parties; a currency or currencies; a commodity or commodities; and other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstances, or one or more indices or baskets of these items.

The prospectus supplement will contain the specific terms of the warrants and any warrant agreement, including whether the warrants will be settled by delivery of the underlying securities or other property or in cash.

Preferred Stock and Depositary Shares

We may offer our preferred stock in one or more series. The particular terms of any series of preferred stock we offer will be described in more detail in the prospectus supplement prepared for such series, which terms will include the number of shares to be included in the series; the designation, powers, preferences and rights of the shares of the series; and the qualifications, limitations or restrictions of such series, except as otherwise stated in the certificate of incorporation.

We may also offer depositary shares, each of which would represent a fraction or a multiple of a share of a particular series of preferred stock. We will deposit the shares of any series of preferred stock represented by depositary shares under a deposit agreement between us and a bank or trust company selected by us having its principal office in the United States and having a combined capital and surplus of at least $50,000,000, as preferred stock depositary. Each owner of a depositary share will be entitled to all the rights and preferences of the underlying preferred stock, including dividend, voting, redemption, conversion and liquidation rights, in proportion to the applicable fraction or multiple of a share of preferred stock represented by such depositary share.

Purchase Contracts

We may issue purchase contracts requiring the holders to purchase or sell:

- securities issued by us, by an entity affiliated or not affiliated with us, a basket of those securities, an index or indices of those securities or any combination of the foregoing as specified in the applicable prospectus supplement;
- currencies;
- commodities;
- any other property; or
- any combination of the above.

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In a prospectus supplement, we will describe the specific terms of the purchase contracts, including whether we will satisfy our obligations, if any, or you will satisfy your obligations, if any, under any purchase contracts by delivering the underlying securities, currencies, commodities or other property or their cash value.

Units

As specified in the applicable prospectus supplement, we may issue units consisting of one or more purchase contracts, warrants, debt securities, depositary shares, preferred shares, common shares or any combination of such securities. The applicable prospectus supplement will describe:

- the terms of the units and of the purchase contracts, warrants, debt securities, depositary shares, preferred shares and common shares comprising the units, including whether and under what circumstances the securities comprising the units may be traded separately;

- a description of the terms of any unit agreement governing the units; and

- a description of the provisions for the payment, settlement, transfer or exchange or the units.

Common Stock

We may offer shares of our common stock, par value $0.0001 per share. In a prospectus supplement, we will describe the aggregate number of shares offered, the offering price or prices of the shares and any underwriting discounts or commissions.

Form of Securities

We will issue the securities in book-entry form through one or more depositaries, such as The Depository Trust Company, Euroclear or Clearstream, named in the applicable prospectus supplement. Each sale of a security in book-entry form will settle in immediately available funds through the applicable depositary, unless otherwise stated. We will issue the securities only in registered form, without coupons, although we may issue the securities in bearer form if so specified in the applicable prospectus supplement.

Payment Currencies

Amounts payable in respect of the securities, including the original issue price, will be payable in U.S. dollars, unless specified otherwise in the applicable prospectus supplement.

Listing

Our common stock is listed on the New York Stock Exchange. If any other securities are to be listed or quoted on a securities exchange or quotation system, the information will be set forth in the applicable prospectus supplement.

Use of Proceeds

Unless otherwise set forth in the applicable prospectus supplement, we intend to use the net proceeds from the sale of the securities we offer by this prospectus for general corporate purposes, which may include, among other things, additions to working capital; the redemption or repurchase of outstanding equity and debt securities; the repayment of indebtedness; and/or the expansion of our business through internal growth or acquisitions.

Market-Making by Our Affiliates

Following the initial distribution of an offering of securities, Jefferies & Company, Inc., Jefferies International Limited and other affiliates of ours may offer and sell those securities (which may include securities registered under previous registration statements) in the course of their businesses as broker dealers, subject, in the case of common stock, preferred stock and depositary shares, to obtaining any necessary approval of the

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New York Stock Exchange for any of these offers and sales our United States affiliates may make. Jefferies & Company, Inc., Jefferies International Limited and other affiliates of ours may act as a principal or agent in these transactions. This prospectus and the applicable prospectus supplement will also be used in connection with those transactions. Sales in any of those transactions will be made at varying prices related to prevailing market prices and other circumstances at the time of sale.

Conflicts of Interest

Jefferies & Company, Inc., our broker-dealer subsidiary, is a member of the Financial Industry Regulatory Authority, Inc. (FINRA) and may participate in distributions of the offered securities. Accordingly, offerings of offered securities in which Jefferies & Company, Inc. participates will conform to the requirements set forth in FINRA Rule 5121. Furthermore, any underwriters offering the offered securities will not confirm sales to any accounts over which they exercise discretionary authority without the prior approval of the customer.

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Risk Factors

For a discussion of risk factors affecting Jefferies Group, Inc. and its business, see the Risk Factors section in our latest Annual Report on Form 10-K filed with the SEC and any updates to those risk factors or new risk factors contained in our subsequent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the SEC, all of which we incorporate by reference herein.

Additional risks specific to a particular offering will be detailed in the applicable prospectus supplements.

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Where You Can Find More Information

As required by the Securities Act of 1933, as amended, we filed a registration statement relating to the securities offered by this prospectus with the Securities and Exchange Commission. This prospectus is a part of that registration statement, which includes additional information.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. These SEC filings are also available to the public from the SEC s web site at http://www.sec.gov.

Incorporation of Certain Information by Reference

The SEC allows us to incorporate by reference the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus. Information that we file later with the SEC will automatically update information in this prospectus. In all cases, you should rely on the later information over different information included in this prospectus or the prospectus supplement. You should not assume that the information in any document incorporated by reference into this prospectus and into any accompanying prospectus supplement is current as of any date other than the date of that document.

We incorporate by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended:

- Annual Report on Form 10-K for the year ended November 30, 2011, filed on January 27, 2012;
- Quarterly Report on Form 10-Q for the quarter ended February 29, 2012, filed on April 5, 2012;
- Current Reports on Form 8-K filed on April 24, 2012 and May 10, 2012;
- The description of our common stock contained in the Registration Statement on Form 10 filed on April 20, 1999 and any further amendment or report filed thereafter for the purpose of updating such description; and
- Solely with regard to the securities covered by this prospectus that were initially offered and sold under previously filed registration statements of Jefferies Group, Inc. and that from time to time may be reoffered and resold in market-making transactions under this prospectus, the information in the prospectus supplements relating to those securities that were previously filed by Jefferies Group, Inc. in connection with its initial offer and sale (except to the extent that any such information has been modified or superseded by other information included or incorporated by reference in this prospectus).

All documents we file pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and before the later of the completion of the offering of the securities described in this prospectus and the date our affiliates stop offering securities pursuant to this prospectus shall be incorporated by reference in this prospectus from the date of filing of such documents.

You may obtain copies of these documents, at no cost to you, from our Internet website (www.jefferies.com), or by writing or telephoning us at the following address:

Investor Relations

Jefferies Group, Inc.

520 Madison Avenue

New York, New York 10022

(212) 284-2550

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Jefferies Group, Inc.

Jefferies Group, Inc. (Jefferies , we , us or our) and its subsidiaries operate as a global full service, integrated securities and investment banking firm. Our principal operating subsidiary, Jefferies & Company, Inc., was founded in the U.S. in 1962 and our first international operating subsidiary, Jefferies International Limited, was established in the U.K. in 1986. On July 1, 2011, we acquired the Bache Global Commodities Group from Prudential Financial, Inc. and we now operate a full service futures commission merchant through Jefferies Bache, LLC in the U.S. and a global commodities and financial derivatives broker through Jefferies Bache Limited in the U.K. Since 2000, we have grown considerably and become increasingly diversified, increasing our market share and the breadth of our business. Our growth has been achieved through the ongoing addition of talented personnel in targeted areas, as well as the acquisition of complementary businesses.

Our global headquarters and executive offices are located at 520 Madison Avenue, New York, New York 10022. We also have regional headquarters offices in London and Hong Kong. Our primary telephone number is (212) 284-2550 and our Internet address is jefferies.com.

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Description of Securities We May Offer

Debt Securities

Please note that in this section entitled Debt Securities, references to Jefferies, we, us, ours or our refer only to Jefferies Group, Inc. and not to its consolidated subsidiaries. Also, in this section, references to holders mean those who own debt securities registered in their own names, on the books that Jefferies or the trustee maintains for this purpose, and not those who own beneficial interests in debt securities registered in street name or in debt securities issued in book-entry form through one or more depositaries. Owners of beneficial interests in the debt securities should read the section below entitled Book-Entry Procedures and Settlement .

General

The debt securities offered by this prospectus will be our unsecured obligations and will be either senior or subordinated debt. We will issue senior debt under a senior debt indenture, and we will issue subordinated debt under a subordinated debt indenture. We sometimes refer to the senior debt indenture and the subordinated debt indenture individually as an indenture and collectively as the indentures. The indentures have been filed with the SEC and are exhibits to the registration statement of which this prospectus forms a part. You can obtain copies of the indentures by following the directions outlined in Where You Can Find More Information , or by contacting the applicable indenture trustee.

A form of each debt security, reflecting the particular terms and provisions of a series of offered debt securities, has been filed with the SEC or will be filed with the SEC at the time of the offering as exhibits to the registration statement of which this prospectus forms a part.

The following briefly summarizes the material provisions of the indentures and the debt securities, other than pricing and related terms disclosed for a particular issuance in an accompanying prospectus supplement. You should read the more detailed provisions of the applicable indenture, including the defined terms, for provisions that may be important to you. You should also read the particular terms of a series of debt securities, which will be described in more detail in an accompanying prospectus supplement. So that you may easily locate the more detailed provisions, the numbers in parentheses below refer to sections in the applicable indenture or, if no indenture is specified, to sections in each of the indentures. Wherever particular sections or defined terms of the applicable indenture are referred to, such sections or defined terms are incorporated into this prospectus by reference, and the statement in this prospectus is qualified by that reference.

Unless otherwise provided for a particular issuance in an accompanying prospectus supplement, the trustee under each of the senior debt indenture and the subordinated debt indenture will be The Bank of New York Mellon.

The indentures provide that our unsecured senior or subordinated debt securities may be issued in one or more series, with different terms, in each case as we authorize from time to time. The provisions of each indenture allow us not only to issue debt securities with terms different from those of debt securities previously issued under that indenture, but also to reopen previously issued debt securities and issue additional debt securities as the same series, with the same CUSIP number, stated maturity, interest payment dates, if any, and other terms, except for the date of issuance and issue price.

Types of Debt Securities

We may issue fixed or floating rate debt securities.

Fixed rate debt securities will bear interest at a fixed rate described in the prospectus supplement. This type includes zero coupon debt securities, which bear no interest and are often issued at a price lower than the principal amount. Material federal income tax consequences and other special considerations applicable to any debt securities issued at a discount will be described in the applicable prospectus supplement.

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Upon the request of the holder of any floating rate debt security, the calculation agent will provide the interest rate then in effect for that debt security, and, if determined, the interest rate that will become effective on the next interest reset date. The calculation agent s determination of any interest rate, and its calculation of the amount of interest for any interest period, will be final and binding in the absence of manifest error.

All percentages resulting from any interest rate calculation relating to a debt security will be rounded upward or downward, as appropriate, to the next higher or lower one hundred-thousandth of a percentage point. All amounts used in or resulting from any calculation relating to a debt security will be rounded upward or downward, as appropriate, to the nearest cent, in the case of U.S. dollars, or to the nearest corresponding hundredth of a unit, in the case of a currency other than U.S. dollars, with one-half cent or one-half of a corresponding hundredth of a unit or more being rounded upward.

In determining the base rate that applies to a floating rate debt security during a particular interest period, the calculation agent may obtain rate quotes from various banks or dealers active in the relevant market, as described in the prospectus supplement. Those reference banks and dealers may include the calculation agent itself and its affiliates, as well as any underwriter, dealer or agent participating in the distribution of the relevant floating rate debt securities and its affiliates, and they may include affiliates of Jefferies.

Information in the Prospectus Supplement

The prospectus supplement for any offered series of debt securities will describe the following terms, as applicable:

the title;

whether the debt is senior or subordinated;

the total principal amount offered;

the percentage of the principal amount at which the debt securities will be sold and, if applicable, the method of determining the price;

the maturity date or dates;

whether the debt securities are fixed rate debt securities or floating rate debt securities;

if the debt securities are fixed rate debt securities, the yearly rate at which the debt security will bear interest, if any, and the interest payment dates;

if the debt security is an original issue discount debt security, the yield to maturity;

if the debt securities are floating rate debt securities, the interest rate basis; any applicable index currency or maturity, spread or spread multiplier or initial, maximum or minimum rate; the interest reset, determination, calculation and payment dates; and the day count used to calculate interest payments for any period;

the date or dates from which any interest will accrue, or how such date or dates will be determined, and the interest payment dates and any related record dates;

if other than in U.S. Dollars, the currency or currency unit in which payment will be made;

any provisions for the payment of additional amounts for taxes;

the denominations in which the currency or currency unit of the securities will be issuable if other than denominations of $1,000 and integral multiples thereof;

the terms and conditions on which the debt securities may be redeemed at the option of Jefferies;

any obligation of Jefferies to redeem, purchase or repay the debt securities at the option of a holder upon the happening of any event and the terms and conditions of redemption, purchase or repayment;

the names and duties of any co-trustees, depositaries, authenticating agents, calculation agents, paying agents, transfer agents or registrars for the debt securities;

any material provisions of the applicable indenture described in this prospectus that do not apply to the debt securities; and

any other specific terms of the debt securities.

We will issue the debt securities only in registered form. As currently anticipated, debt securities of a series will trade in book-entry form, and global notes will be issued in physical (paper) form, as described below under Book-Entry Procedures and Settlement . Unless otherwise provided in the accompanying prospectus supplement, we will issue debt securities denominated in U.S. Dollars and only in denominations of $1,000 and integral multiples thereof.

The prospectus supplement relating to offered securities denominated in a foreign or composite currency will specify the denomination of the offered securities.

The debt securities may be presented for exchange, and debt securities other than a global security may be presented for registration of transfer, at the principal corporate trust office of The Bank of New York Mellon in New York City. Holders will not have to pay any service charge for any registration of transfer or exchange of debt securities, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with such registration of transfer (Section 3.05).

Market-Making Transactions. If you purchase your debt security or any of our other securities we describe in this prospectus in a market-making transaction, you will receive information about the price you pay and your trade and settlement dates in a separate confirmation of sale. A market-making transaction is one in which Jefferies & Company, Inc. or one of our affiliates resells a security that it has previously acquired from another holder. A market-making transaction in a particular security occurs after the original issuance and sale of the security.

Payment and Paying Agents

Distributions on the debt securities other than those represented by global notes will be made in the designated currency against surrender of the debt securities at the principal corporate trust office of The Bank of New York Mellon in New York City. Payment will be made to the registered holder at the close of business on the record date for such payment. Interest payments will be made at the principal corporate trust office of The Bank of New York Mellon in New York City, or by a check mailed to the holder at his registered address. Payments in any other manner will be specified in the prospectus supplement.

Calculation Agents

Calculations relating to floating rate debt securities and indexed debt securities will be made by the calculation agent, an institution that we appoint as our agent for this purpose. We may appoint one of our affiliates as calculation agent. We may appoint a different institution to serve as calculation agent from time to time after the original issue date of the debt security without your consent and without notifying you of the change. The initial calculation agent will be identified in the prospectus supplement.

Senior Debt

We will issue senior debt securities under the senior debt indenture. Senior debt will rank on an equal basis with all our other unsecured debt except subordinated debt.

Subordinated Debt

We will issue subordinated debt securities under the subordinated debt indenture. Subordinated debt will rank subordinated and junior in right of payment, to the extent set forth in the subordinated debt indenture, to all our senior debt.

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If we default in the payment of any principal of, or premium, if any, or interest on any senior debt when it becomes due and payable after any applicable grace period, then, unless and until the default is cured or waived or ceases to exist, we cannot make a payment on account of or redeem or otherwise acquire the subordinated debt securities.

If there is any insolvency, bankruptcy, liquidation or other similar proceeding relating to us or our property, then all senior debt must be paid in full before any payment may be made to any holders of subordinated debt securities.

Furthermore, if we default in the payment of the principal of and accrued interest on any subordinated debt securities that is declared due and payable upon an event of default under the subordinated debt indenture, holders of all our senior debt will first be entitled to receive payment in full in cash before holders of such subordinated debt can receive any payments.

Senior debt means:

- the principal, premium, if any, and interest in respect of indebtedness of Jefferies for money borrowed and indebtedness evidenced by securities, notes, debentures, bonds or other similar instruments issued by us, including the senior debt securities;
- all capitalized lease obligations;
- all obligations representing the deferred purchase price of property; and
- all deferrals, renewals, extensions and refundings of obligations of the type referred to above;

but senior debt does not include:

- subordinated debt securities;
- any indebtedness that by its terms is subordinated to, or ranks on an equal basis with, subordinated debt securities; and
- indebtedness that is subordinated to a senior debt obligation of ours specified above.

The effect of this last provision is that we may not issue, assume or guarantee any indebtedness for money borrowed which is junior to the senior debt securities and senior to the subordinated debt securities.

Covenants

Limitations on Liens. The senior indenture provides that we will not, and will not permit any designated subsidiary to, incur, issue, assume or guarantee any indebtedness for money borrowed if such indebtedness is secured by a pledge of, lien on, or security interest in any shares of common stock of any designated subsidiary, without providing that each series of senior debt securities and, at our option, any other indebtedness ranking equally and ratably with such indebtedness, is secured equally and ratably with (or prior to) such other secured indebtedness (Section 10.08).

Limitations on Transactions with Affiliates. The senior indenture provides that we will not, and will not permit any subsidiary to, sell, lease, transfer or otherwise dispose of any of our or its properties or assets to, or purchase any property or asset from, or enter into any transaction, contract, agreement, understanding, loan, advance or guaranty with, or for the benefit of, any affiliate of ours unless:

the transaction with the affiliate is made on terms no less favorable to us or the subsidiary than those that would have been obtained in a comparable transaction with an unrelated person; and

in the case of any affiliate transaction involving consideration in excess of $25 million in any fiscal year, we deliver to the trustee a certificate to the effect that our board of directors has determined that the transaction complies with the requirements described in the above bullet point and that the transaction has been approved by a majority of the disinterested members of our board of directors.

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This covenant will not apply to any employment agreement entered into in the ordinary course of business and consistent with past practices, to any transaction between or among us and our subsidiaries or to transactions entered into prior to the date the notes are issued (Section 10.09).

Limitations on Mergers and Sales of Assets. The indentures provide that we will not merge or consolidate or transfer or lease our assets substantially as an entirety, and another person may not transfer or lease its assets substantially as an entirety to us, unless:

- either (1) we are the continuing corporation, or (2) the successor corporation, if other than us, is a U.S. corporation and expressly assumes by supplemental indenture the obligations evidenced by the securities issued pursuant to the indenture; and

- immediately after the transaction, there would not be any default in the performance of any covenant or condition of the indenture (Section 8.01).

Other than the restrictions described above, the indentures do not contain any covenants or provisions that would protect holders of the debt securities in the event of a highly leveraged transaction.

Modification of the Indentures

Under the indentures, we and the relevant trustee can enter into supplemental indentures to establish the form and terms of any new series of debt securities without obtaining the consent of any holder of debt securities (Section 9.01).

We and the trustee may, with the consent of the holders of at least a majority in aggregate principal amount of the debt securities of a series, modify the applicable indenture or the rights of the holders of the securities of such series.

No such modification may, without the consent of each holder of an affected security:

- extend the fixed maturity of any such securities;

- reduce the rate or change the time of payment of interest on such securities;

- reduce the principal amount of such securities or the premium, if any, on such securities;

- change any obligation of ours to pay additional amounts;

- reduce the amount of the principal payable on acceleration of any securities issued originally at a discount;

- adversely affect the right of repayment or repurchase at the option of the holder;

- reduce or postpone any sinking fund or similar provision;

- change the currency or currency unit in which any such securities are payable or the right of selection thereof;

- impair the right to sue for the enforcement of any such payment on or after the maturity of such securities;
- reduce the percentage of securities referred to above whose holders need to consent to the modification or a waiver without the consent of such holders; or
- change any obligation of ours to maintain an office or agency (Section 9.02).

Defaults

Each indenture provides that events of default regarding any series of debt securities will be:

- our failure to pay required interest on any debt security of such series for 30 days;
- our failure to pay principal or premium, if any, on any debt security of such series when due;

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our failure to make any required scheduled installment payment for 30 days on debt securities of such series;

our failure to perform for 90 days after notice any other covenant in the relevant indenture other than a covenant included in the relevant indenture solely for the benefit of a series of debt securities other than such series;

our failure to pay beyond any applicable grace period, or the acceleration of, indebtedness in excess of $10,000,000; and

certain events of bankruptcy or insolvency, whether voluntary or not (Section 5.01).

If an event of default regarding debt securities of any series issued under the indentures should occur and be continuing, either the trustee or the holders of 25% in the principal amount of outstanding debt securities of such series may declare each debt security of that series due and payable (Section 5.02). We are required to file annually with the trustee a statement of an officer as to the fulfillment by us of our obligations under the indenture during the preceding year (Section 10.06).

No event of default regarding one series of debt securities issued under an indenture is necessarily an event of default regarding any other series of debt securities.

Holders of a majority in principal amount of the outstanding debt securities of any series will be entitled to control certain actions of the trustee under the indentures and to waive past defaults regarding such series (Sections 5.12 and 5.13). The trustee generally cannot be required by any of the holders of debt securities to take any action, unless one or more of such holders shall have provided to the trustee reasonable security or indemnity satisfactory to the trustee (Section 6.02).

If an event of default occurs and is continuing regarding a series of debt securities, the trustee may use any sums that it holds under the relevant indenture for its own reasonable compensation and expenses incurred prior to paying the holders of debt securities of such series (Section 5.06).

Before any holder of any series of debt securities may institute action for any remedy, except payment on such holder s debt security when due, the holders of not less than 25% in principal amount of the debt securities of that series outstanding must request the trustee to take action. Holders must also offer and give reasonable indemnity satisfactory to the trustee against liabilities incurred by the trustee for taking such action (Sections 5.07 and 5.08).

Defeasance

Except as may otherwise be set forth in an accompanying prospectus supplement, after we have deposited with the trustee, cash or government securities, in trust for the benefit of the holders sufficient to pay the principal of, premium, if any, and interest on the debt securities of such series when due, and satisfied certain other conditions, including receipt of an opinion of counsel that holders will not recognize taxable gain or loss for federal income tax purposes, then:

we will be deemed to have paid and satisfied our obligations on all outstanding debt securities of such series, which is known as defeasance and discharge (Section 14.02); or

we will cease to be under any obligation, other than to pay when due the principal of, premium, if any, and interest on such debt securities, relating to the debt securities of such series, which is known as covenant defeasance (Section 14.03).

When there is a defeasance and discharge, the applicable indenture will no longer govern the debt securities of such series, we will no longer be liable for payments required by the terms of the debt securities of such series and the holders of such debt securities will be entitled only to the deposited funds. When there is a covenant defeasance, however, we will continue to be obligated to make payments when due if the deposited funds are not sufficient.

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Payment of Additional Amounts

If so noted in the applicable prospectus supplement for a particular issuance, we will pay to the holder of any debt security who is a United States alien holder (as defined below) such additional amounts as may be necessary so that every net payment of principal of and interest on the debt security, after deduction or withholding for or on account of any present or future tax, assessment or other governmental charge imposed upon or as a result of such payment by the United States or any taxing authority thereof or therein, will not be less than the amount provided in such debt security to be then due and payable. We will not be required, however, to make any payment of additional amounts for or on account of:

- any tax, assessment or other governmental charge that would not have been imposed but for the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary of, member or shareholder of, or possessor of a power over, such holder, if such holder is an estate, trust, partnership or corporation) and the United States, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member, shareholder or possessor), being or having been a citizen or resident or treated as a resident of the United States or being or having been engaged in trade or business or present in the United States or having or having had a permanent establishment in the United States;

- any tax, assessment or other governmental charge that would not have been imposed but for the presentation by the holder of the debt security for payment on a date more than 10 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

- any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, assessment or other governmental charge;

- any tax, assessment or other governmental charge imposed by reason of such holder s past or present status as a passive foreign investment company, a controlled foreign corporation, a personal holding company or foreign personal holding company with respect to the United States, or as a corporation which accumulates earnings to avoid United States federal income tax;

- any tax, assessment or other governmental charge which is payable otherwise than by withholding from payment of principal of, or interest on, such debt security;

- any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of, or interest on, any debt security if such payment can be made without withholding by any other paying agent;

- any tax, assessment or other governmental charge that is imposed by reason of a holder s present or former status as (i) the actual or constructive owner of 10% or more of the total combined voting power of our stock, as determined for purposed of Section 871(h)(3)(B) of the Internal Revenue Code of 1986, as amended (the Code), (or any successor provision) or (ii) a controlled foreign corporation that is related to us, as determined for purposes of Section 881(c)(3)(C) of the Code (or any successor provision);

- any tax, assessment or other governmental charge imposed on interest received by (1) a 10% shareholder of ours (as defined in Section 871(h)(3)(B) of the Internal Revenue Code of 1986, as amended and the regulations that may be promulgated thereunder), or (2) a controlled foreign corporation with respect to us within the meaning of the Code;

- any tax, assessment or other governmental charge (i) in the nature of a backup withholding tax, (ii) as a result of the failure to comply with information reporting requirements or (iii) imposed under the Hiring Incentives to Restore Employment Act of 2010 or any substantially similar successor legislation; or any combinations of items identified in the bullet points above.

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In addition, we will not be required to pay any additional amounts to any holder who is a fiduciary or partnership or other than the sole beneficial owner of such debt security to the extent that a beneficiary or settlor with respect to such fiduciary, or a member of such partnership or a beneficial owner thereof would not have been entitled to the payment of such additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of the debt security.

The term United States alien holder means any corporation, partnership, individual or fiduciary that is, for United States federal income tax purposes, a foreign corporation, a nonresident alien individual, a nonresident fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United States federal income tax purpose, a foreign corporation, a nonresident alien individual or a nonresident fiduciary of a foreign estate or trust.

Redemption upon a Tax Event

If so noted in the applicable prospectus supplement for a particular issuance, we may redeem the debt securities in whole, but not in part, on not more than 60 days and not less than 30 days notice, at a redemption price equal to 100% of their principal amount, plus all accrued but unpaid interest through the redemption date if we determine that as a result of a change in tax law (as defined below):

- we have or will become obligated to pay additional amounts as described under the heading Payment of Additional Amounts ; or

- there is a substantial possibility that we will be required to pay such additional amounts.

A change in tax law that would trigger the provisions of the preceding paragraph is any change in or amendment to the laws, treaties, regulations or rulings of the United States or any political subdivision or taxing authority thereof, or any proposed change in the laws, treaties, regulations or rulings, or any change in the official application, enforcement or interpretation of the laws, treaties, regulations or rulings (including a holding by a court of competent jurisdiction in the United States) or any other action (other than an action predicated on law generally known on or before the date of the applicable prospectus supplement for the particular issuance of debt securities to which this section applies except for proposals before the Congress prior to that date) taken by any taxing authority or a court of competent jurisdiction in the United States, or the official proposal of the action, whether or not the action or proposal was taken or made with respect to us.

Prior to the publication of any notice of redemption, we shall deliver to the Trustee an officers certificate stating that we are entitled to effect the aforementioned redemption and setting forth a statement of facts showing that the conditions precedent to our right to so redeem have occurred, and an opinion of counsel to such effect based on such statement of facts.

Governing Law

Unless otherwise stated in the prospectus supplement, the debt securities and the indentures will be governed by New York law.

Concerning the Trustee under the Indentures

We have and may continue to have banking and other business relationships with The Bank of New York Mellon, or any subsequent trustee, in the ordinary course of business.

Convertible Debt Securities

Please note that in this section entitled Convertible Debt Securities, references to Jefferies, we, us, ours or our refer only to Jefferies Group, Inc. and not to its consolidated subsidiaries. Also, in this section, references to holders mean those who own convertible debt securities registered in their own names, on the books that Jefferies or the trustee maintains for this purpose, and not those who own beneficial interests in convertible debt securities registered in street name or in convertible debt securities issued in book-entry form through one or more depositaries. Owners of beneficial interests in the convertible debt securities should read the section below entitled Book-Entry Procedures and Settlement.

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The convertible debt securities offered by this prospectus will be our unsecured senior debt obligations and will be convertible into shares of our common stock. We will issue convertible debt securities under an indenture (convertible securities). The terms of the indenture (convertible securities) are substantially the same as the senior debt indenture described above under Debt Securities except for: the inclusion of provisions with respect to the conversion of securities; the omission of provisions comparable to those described above under Debt Securities Defeasance and the omission of provisions comparable to those described above under Debt Securities- Covenants Limitations on Liens and Limitations on Transactions with Affiliates.

Unless otherwise provided for a particular issuance in an accompanying prospectus supplement, the trustee under the indenture (convertible securities) will be The Bank of New York Mellon. The prospectus supplement for any offered series of convertible debt securities will describe all material terms of the series.

Warrants

Please note that in this section entitled Warrants, references to Jefferies, we, us, ours or our refer only to Jefferies Group, Inc. and not to its consolidated subsidiaries. Also, in this section, references to holders mean those who own warrants registered in their own names, on the books that Jefferies or its agent maintains for this purpose, and not those who own beneficial interests in warrants registered in street name or in warrants issued in book-entry form through one or more depositaries. Owners of beneficial interests in the warrants should read the section below entitled Book-Entry Procedures and Settlement .

General

We may offer warrants separately or together with our debt or equity securities.

We may issue warrants in such amounts or in as many distinct series as we wish. This section summarizes terms of the warrants that apply generally to all series. The financial and other specific terms of your warrant and any warrant agreement will be described in the prospectus supplement. Those terms may vary from the terms described here.

The warrants of a series will be issued under a separate warrant agreement to be entered into between us and one or more banks or trust companies, as warrant agent, as set forth in the prospectus supplement. A form of each warrant agreement, including a form of warrant certificate representing each warrant, reflecting the particular terms and provisions of a series of offered warrants, will be filed with the SEC at the time of the offering and incorporated by reference in the registration statement of which this prospectus forms a part. You can obtain a copy of any form of warrant agreement when it has been filed by following the directions outlined in Where You Can Find More Information or by contacting the applicable warrant agent.

The following briefly summarizes the material provisions of the warrant agreements and the warrants. As you read this section, please remember that the specific terms of your warrant as described in the prospectus supplement will supplement and, if applicable, may modify or replace the general terms described in this section. You should read carefully the prospectus supplement and the more detailed provisions of the warrant agreement and the warrant certificate, including the defined terms, for provisions that may be important to you. If there are differences between the prospectus supplement and this prospectus, the prospectus supplement will control. Thus, the statements made in this section may not apply to your warrant.

Types of Warrants

We may issue debt warrants or equity warrants. A debt warrant is a warrant for the purchase of our debt securities on terms to be determined at the time of sale. An equity warrant is a warrant for the purchase or sale of our equity securities. We may also issue warrants for the purchase or sale of, or whose cash value is determined by reference to the performance, level or value of, one or more of the following: securities of one or more issuers, including those issued by us and described in this prospectus or debt or equity securities issued by third

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parties; a currency or currencies; a commodity or commodities; and other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstances, or one or more indices or baskets of these items.

Information in the Prospectus Supplement

The prospectus supplement will contain, where applicable, the following information about the warrants:

- the specific designation and aggregate number of, and the price at which we will issue, the warrants;
- the currency or currency unit with which the warrants may be purchased and in which any payments due to or from the holder upon exercise must be made;
- the date on which the right to exercise the warrants will begin and the date on which that right will expire or, if you may not continuously exercise the warrants throughout that period, the specific date or dates on which you may exercise the warrants;
- whether the exercise price may be paid in cash, by the exchange of warrants or other securities or both, and the method of exercising the warrants;
- whether the warrants will be settled by delivery of the underlying securities or other property or in cash;
- whether and under what circumstances we may cancel the warrants prior to their expiration date, in which case the holders will be entitled to receive only the applicable cancellation amount, which may be either a fixed amount or an amount that varies during the term of the warrants in accordance with a schedule or formula;
- whether the warrants will be issued in global or non-global form, although, in any case, the form of a warrant included in a unit will correspond to the form of the unit and of any debt security or purchase contract included in that unit;
- the identities of the warrant agent, any depositaries and any paying, transfer, calculation or other agents for the warrants;
- any securities exchange or quotation system on which the warrants or any securities deliverable upon exercise of the warrants may be listed;
- whether the warrants are to be sold separately or with other securities, as part of units or otherwise, and if the warrants are to be sold with the securities of another company or other companies, certain information regarding such company or companies; and
- any other terms of the warrants.

If warrants are issued as part of a unit, the prospectus supplement will specify whether the warrants will be separable from the other securities in the unit before the warrants expiration date.

No holder of a warrant will, as such, have any rights of a holder of the debt securities, equity securities or other warrant property purchasable under or in the warrant, including any right to receive payment thereunder.

Our affiliates may resell our warrants in market-making transactions after their initial issuance. We discuss these transactions above under Debt Securities Information in the Prospectus Supplement Market-Making Transactions.

Additional Information in the Prospectus Supplement for Debt Warrants

In the case of debt warrants, the prospectus supplement will contain, where appropriate, the following additional information:

- the designation, aggregate principal amount, currency and terms of the debt securities that may be purchased upon exercise of the debt warrants; and

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the designation, terms and amount of debt securities, if any, to be issued together with each of the debt warrants and the date, if any, after which the debt warrants and debt securities will be separately transferable.

No Limit on Issuance of Warrants

The warrant agreements will not limit the number of warrants or other securities that we may issue.

Modifications

We and the relevant warrant agent may, without the consent of the holders, amend each warrant agreement and the terms of each issue of warrants, for the purpose of curing any ambiguity or of correcting or supplementing any defective or inconsistent provision, or in any other manner that we may deem necessary or desirable and that will not adversely affect the interests of the holders of the outstanding unexercised warrants in any material respect.

We and the relevant warrant agent also may, with the consent of the holders of at least a majority in number of the outstanding unexercised warrants affected, modify or amend the warrant agreement and the terms of the warrants.

No such modification or amendment may, without the consent of each holder of an affected warrant:

reduce the amount receivable upon exercise, cancellation or expiration;

shorten the period of time during which the warrants may be exercised;

otherwise materially and adversely affect the exercise rights of the beneficial owners of the warrants; or

reduce the percentage of outstanding warrants whose holders must consent to modification or amendment of the applicable warrant agreement or the terms of the warrants.

Merger and Similar Transactions Permitted; No Restrictive Covenants or Events of Default

The warrant agreements will not restrict our ability to merge or consolidate with, or sell our assets to, another firm or to engage in any other transactions. If at any time there is a merger or consolidation involving us or a sale or other disposition of all or substantially all of our assets, the successor or assuming company will be substituted for us, with the same effect as if it had been named in the warrant agreement and in the warrants. We will be relieved of any further obligation under the warrant agreement or warrants, and, in the event of any such merger, consolidation, sale or other disposition, we as the predecessor corporation may at any time thereafter be dissolved, wound up or liquidated.

The warrant agreements will not include any restrictions on our ability to put liens on our assets, including our interests in our subsidiaries, nor will they provide for any events of default or remedies upon the occurrence of any events of default.

Warrant Agreements Will Not Be Qualified under Trust Indenture Act

No warrant agreement will be qualified as an indenture, and no warrant agent will be required to qualify as a trustee, under the Trust Indenture Act. Therefore, holders of warrants issued under a warrant agreement will not have the protection of the Trust Indenture Act with respect to their warrants.

Enforceability of Rights by Beneficial Owner

Each warrant agent will act solely as our agent in connection with the issuance and exercise of the applicable warrants and will not assume any obligation or relationship of agency or trust for or with any registered holder of or owner of a beneficial interest in any warrant. A warrant agent will have no duty or

responsibility in case of any default by us under the applicable warrant agreement or warrant certificate, including any duty or responsibility to initiate any proceedings at law or otherwise or to make any demand upon us.

Holders may, without the consent of the applicable warrant agent, enforce by appropriate legal action, on their own behalf, their right to exercise their warrants, to receive debt securities, in the case of debt warrants, and to receive payment, if any, for their warrants, in the case of universal warrants.

Governing Law

Unless otherwise stated in the prospectus supplement, the warrants and each warrant agreement will be governed by New York law.

Preferred Stock

As of the date of this prospectus, our authorized capital stock includes 10 million shares of preferred stock, 125,000 shares of which, designated as Series A convertible preferred stock, were issued and outstanding as of February 29, 2012. In February 2006, we issued $125.0 million of Series A convertible preferred stock in a private placement. Our Series A convertible preferred stock has a 3.25% annual, cumulative cash dividend and, as of the date of this prospectus, was convertible into 4,110,128 shares of our common stock at an effective conversion price of approximately $30.41 per share. The Series A convertible preferred stock is callable beginning in 2016 and will mature in 2036.

The following briefly summarizes the material terms of our preferred stock, other than pricing and related terms disclosed for a particular issuance in an accompanying prospectus supplement. You should read the particular terms of any series of preferred stock we offer which will be described in more detail in the prospectus supplement prepared for such series, together with the more detailed provisions of our certificate of incorporation and the certificate of designations relating to each particular series of preferred stock, for provisions that may be important to you. The certificate of designations relating to a particular series of preferred stock offered by way of an accompanying prospectus supplement will be filed with the SEC at the time of the offering and incorporated by reference in the registration statement of which this prospectus forms a part. You can obtain a copy of this document by following the directions outlined in Where You Can Find More Information. The prospectus supplement will also state whether any of the terms summarized below do not apply to the series of preferred stock being offered.

General

Under our certificate of incorporation, our board of directors is authorized to issue shares of preferred stock in one or more series, and to establish from time to time a series of preferred stock with the following terms specified:

- the number of shares to be included in the series;
- the designation, powers, preferences and rights of the shares of the series; and
- the qualifications, limitations or restrictions of such series, except as otherwise stated in the certificate of incorporation.

Prior to the issuance of any series of preferred stock, our board of directors will adopt resolutions creating and designating the series as a series of preferred stock and the resolutions will be filed in a certificate of designations as an amendment to the certificate of incorporation. The term board of directors includes any duly authorized committee.

The rights of holders of the preferred stock offered may be adversely affected by the rights of holders of any shares of preferred stock that may be issued in the future, provided that the future issuances are first approved by the holders of the class(es) of preferred stock adversely affected. The board of directors may cause shares of preferred stock to be issued in public or private transactions for any proper corporate purpose. Examples of

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proper corporate purposes include issuances to obtain additional financing in connection with acquisitions or otherwise, and issuances to our officers, directors and employees pursuant to benefit plans or otherwise. Shares of preferred stock we issue may have the effect of rendering more difficult or discouraging an acquisition of us deemed undesirable by our board of directors.

The preferred stock will be, when issued, fully paid and nonassessable. Holders of preferred stock will not have any preemptive or subscription rights to acquire more of our stock.

We will name the transfer agent, registrar, dividend disbursing agent and redemption agent for shares of each series of preferred stock in the prospectus supplement relating to such series.

Our affiliates may resell our preferred stock in market-marking transactions after its initial issuance. We discuss these transactions above under Debt Securities Information in the Prospectus Supplement Market-Making Transactions.

Rank

Unless otherwise specified for a particular series of preferred stock in an accompanying prospectus supplement, each series will rank on an equal basis with each other series of preferred stock, and prior to the common stock, as to dividends and distributions of assets.

Dividends

Holders of each series of preferred stock will be entitled to receive cash dividends, when, as and if declared by our board of directors out of funds legally available for dividends. The rates and dates of payment of dividends will be set forth in the prospectus supplement relating to each series of preferred stock. Dividends will be payable to holders of record of preferred stock as they appear on our books or, if applicable, the records of the depositary referred to below under Depositary Shares, on the record dates fixed by the board of directors. Dividends on any series of preferred stock may be cumulative or noncumulative.

We may not declare, pay or set apart for payment dividends on the preferred stock unless full dividends on any other series of preferred stock that ranks on an equal or senior basis have been paid or sufficient funds have been set apart for payment for:

- all prior dividend periods of the other series of preferred stock that pay dividends on a cumulative basis; or
- the immediately preceding dividend period of the other series of preferred stock that pay dividends on a noncumulative basis.

Partial dividends declared on shares of preferred stock and any other series of preferred stock ranking on an equal basis as to dividends will be declared pro rata. A pro rata declaration means that the ratio of dividends declared per share to accrued dividends per share will be the same for both series of preferred stock.

Similarly, we may not declare, pay or set apart for payment non-stock dividends or make other payments on the common stock or any other of our stock ranking junior to the preferred stock until full dividends on the preferred stock have been paid or set apart for payment for:

- all prior dividend periods if the preferred stock pays dividends on a cumulative basis; or
- the immediately preceding dividend period if the preferred stock pays dividends on a noncumulative basis.

Conversion and Exchange

The prospectus supplement for any series of preferred stock will state the terms, if any, on which shares of that series are convertible into or exchangeable for shares of our common stock.

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Redemption

If so specified in the applicable prospectus supplement, a series of preferred stock may be redeemable at any time, in whole or in part, at our option or at the option of the holder thereof and may be mandatorily redeemed.

Any partial redemptions of preferred stock will be made in a way that our board of directors decides is equitable.

Unless we default in the payment of the redemption price, dividends will cease to accrue after the redemption date on shares of preferred stock called for redemption and all rights of holders of such shares will terminate except for the right to receive the redemption price.

Liquidation Preference

Upon our voluntary or involuntary liquidation, dissolution or winding up, holders of each series of preferred stock will be entitled to receive distributions upon liquidation in the amount set forth in the prospectus supplement relating to such series of preferred stock, plus an amount equal to any accrued and unpaid dividends. Such distributions will be made before any distribution is made on any securities ranking junior relating to preferred stock in liquidation, including common stock.

If the liquidation amounts payable relating to the preferred stock of any series and any other securities ranking on a parity regarding liquidation rights are not paid in full, the holders of the preferred stock of such series and such other securities will share in any such distribution of our available assets on a ratable basis in proportion to the full liquidation preferences. Holders of such series of preferred stock will not be entitled to any other amounts from us after they have received their full liquidation preference.

Voting Rights

The holders of shares of our preferred stock will have no voting rights, except:

- as otherwise stated in the prospectus supplement;
- as otherwise stated in the certificate of designations establishing such series; and
- as required by applicable law.

Depositary Shares

The following briefly summarizes the material provisions of the deposit agreement and of the depositary shares and depositary receipts, other than pricing and related terms disclosed for a particular issuance in an accompanying prospectus supplement. You should read the particular terms of any depositary shares and any depositary receipts that we offer and any deposit agreement relating to a particular series of preferred stock which will be described in more detail in a prospectus supplement. The prospectus supplement will also state whether any of the generalized provisions summarized below do not apply to the depositary shares or depositary receipts being offered. A copy of the form of deposit agreement, including the form of depositary receipt, is an exhibit to the registration statement of which this prospectus forms a part. You can obtain copies of these documents by following the directions outlined in "Where You Can Find More Information." You should read the more detailed provisions of the deposit agreement and the form of depositary receipt for provisions that may be important to you.

General

We may, at our option, elect to offer fractional shares or some multiple of shares of preferred stock, rather than full shares of preferred stock. In such event, we will issue receipts for depositary shares, each of which will represent a fraction or a multiple of a share of a particular series of preferred stock.

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We will deposit the shares of any series of preferred stock represented by depositary shares under a deposit agreement between us and a bank or trust company selected by us having its principal office in the United States and having a combined capital and surplus of at least $50,000,000, as preferred stock depositary. Each owner of a depositary share will be entitled to all the rights and preferences of the underlying preferred stock, including dividend, voting, redemption, conversion and liquidation rights, in proportion to the applicable fraction or multiple of a share of preferred stock represented by such depositary share.

The depositary shares will be evidenced by depositary receipts issued pursuant to the deposit agreement. Depositary receipts will be distributed to those persons purchasing the fractional shares of preferred stock in accordance with the terms of the applicable prospectus supplement.

Our affiliates may resell depositary shares in market-marking transactions after their initial issuance. We discuss these transactions above under Debt Securities Information in the Prospectus Supplement Market-Making Transactions.

Dividends and Other Distributions

The preferred stock depositary will distribute all cash dividends or other cash distributions received in respect of the deposited preferred stock to the record holders of depositary shares relating to such preferred stock in proportion to the number of such depositary shares owned by such holders.

The preferred stock depositary will distribute any property other than cash received by it in respect of the preferred stock to the record holders of depositary shares entitled thereto. If the preferred stock depositary determines that it is not feasible to make such distribution, it may, with our approval, sell such property and distribute the net proceeds from such sale to such holders.

The amount distributed to holders of depositary shares will be reduced by any amounts required to be withheld by us or the preferred stock depositary on account of taxes or other governmental charges.

Redemption of Preferred Stock

If a series of preferred stock represented by depositary shares is to be redeemed, the depositary shares will be redeemed from the proceeds received by the preferred stock depositary resulting from the redemption, in whole or in part, of such series of preferred stock. The depositary shares will be redeemed by the preferred stock depositary at a price per depositary share equal to the applicable fraction or multiple of the redemption price per share payable in respect of the shares of preferred stock so redeemed.

Whenever we redeem shares of preferred stock held by the preferred stock depositary, the preferred stock depositary will redeem as of the same date the number of depositary shares representing shares of preferred stock so redeemed. If fewer than all the depositary shares are to be redeemed, the depositary shares to be redeemed will be selected by the preferred stock depositary by lot or ratably or by any other equitable method as the preferred stock depositary may decide.

After the date fixed for redemption, the depositary shares called for redemption will no longer be deemed to be outstanding, and all rights of the holders of the depositary shares will cease, except the right to receive the monies payable and any other property to which the holders were entitled upon the redemption upon surrender to the preferred stock depositary of the depositary receipts evidencing the depositary shares. Any funds deposited by us with the preferred stock depositary for any depositary shares that the holders fail to redeem will be returned to us after a period of two years from the date the funds are deposited.

Voting Deposited Preferred Stock

Upon receipt of notice of any meeting at which the holders of any series of deposited preferred stock are entitled to vote, the preferred stock depositary will mail the information contained in such notice of meeting to the record holders of the depositary shares relating to such series of preferred stock. Each record holder of such depositary shares on the record date will be entitled to instruct the preferred stock depositary to vote the amount of the preferred stock represented by such holder s depositary shares. The preferred stock depositary will try to vote the amount of such series of preferred stock represented by such depositary shares in accordance with such instructions.

We will agree to take all actions that the preferred stock depositary determines as necessary to enable the preferred stock depositary to vote as instructed. The preferred stock depositary will abstain from voting shares of any series of preferred stock held by it for which it does not receive specific instructions from the holders of depositary shares representing such shares.

Amendment and Termination of the Deposit Agreement

The form of depositary receipt evidencing the depositary shares and any provision of the deposit agreement may at any time be amended by agreement between us and the preferred stock depositary. However, any amendment that materially and adversely alters any existing right of the holders of depositary shares will not be effective unless such amendment has been approved by the holders of at least a majority of such depositary shares then outstanding. Every holder of an outstanding depositary receipt at the time any such amendment becomes effective shall be deemed, by continuing to hold such depositary receipt, to consent and agree to such amendment and to be bound by the deposit agreement, which has been amended thereby. The deposit agreement may be terminated only if:

- all outstanding depositary shares have been redeemed; or

- a final distribution in respect of the preferred stock has been made to the holders of depositary shares in connection with our liquidation, dissolution or winding up.

Charges of Preferred Stock Depositary; Taxes and Other Governmental Charges

We will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. We also will pay charges of the depositary in connection with the initial deposit of preferred stock and any redemption of preferred stock. Holders of depositary receipts will pay other transfer and other taxes and governmental charges and such other charges, including a fee for the withdrawal of shares of preferred stock upon surrender of depositary receipts, as are expressly provided in the deposit agreement to be for their accounts.

Resignation and Removal of Depositary

The preferred stock depositary may resign at any time by delivering to us notice of its intent to do so, and we may at any time remove the preferred stock depositary, any such resignation or removal to take effect upon the appointment of a successor preferred stock depositary and its acceptance of such appointment. Such successor preferred stock depositary must be appointed within 60 days after delivery of the notice of resignation or removal and must be a bank or trust company having its principal office in the United States and having a combined capital and surplus of at least $50,000,000.

Miscellaneous

The preferred stock depositary will forward all reports and communications from us which are delivered to the preferred stock depositary and which we are required to furnish to the holders of the deposited preferred stock.

Neither we nor the preferred stock depositary will be liable if either is prevented or delayed by law or any circumstances beyond its control in performing its obligations under the deposit agreement. Our obligations and those of the preferred stock depositary under the deposit agreement will be limited to performance in good faith of their duties thereunder and they will not be obligated to prosecute or defend any legal proceeding in respect of any depositary shares, depositary receipts or shares of preferred stock unless satisfactory indemnity is furnished.

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We and the preferred stock depositary may rely upon written advice of counsel or accountants, or upon information provided by holders of depositary receipts or other persons believed to be competent and on documents believed to be genuine.

Purchase Contracts

We may issue purchase contracts, including purchase contracts issued as part of a unit with one or more warrants, shares of preferred stock, shares of common stock and debt securities issued by us, debt obligations or other securities of an entity affiliated or not affiliated with us or other property, for the purchase or sale of:

- securities issued by us or by an entity affiliated or not affiliated with us, a basket of those securities, an index or indices of those securities or any other property;
- currencies;
- commodities;
- any other property; or
- any combination of the above.

We refer to this property in the above clauses as purchase contract property.

Each purchase contract will obligate the holder to purchase or sell, and obligate us to sell or purchase, on specified dates, the purchase contract property at a specified price or prices, all as described in the applicable prospectus supplement. The applicable prospectus supplement will also specify the methods by which the holders may purchase or sell the purchase contract property and any acceleration, cancellation or termination provisions or other provisions relating to the settlement of a purchase contract.

Pre-Paid Purchase Contracts

Purchase contracts may require holders to satisfy their obligations under the purchase contracts at the time they are issued. We refer to these purchase contracts as pre-paid purchase contracts. In certain circumstances, our obligation to settle pre-paid purchase contracts on the relevant settlement date may constitute senior indebtedness or subordinated indebtedness of ours. Accordingly, pre-paid purchase contracts may be issued under the senior debt indenture or the subordinated debt indenture, as specified in the applicable prospectus supplement.

Purchase Contracts Issued as Part of Units

Purchase contracts issued as part of a unit will be governed by the terms and provisions of a Unit Agreement. See Description of Securities We May Offer Units. The applicable prospectus supplement will specify the following:

- whether the purchase contract obligates the holder to purchase or sell the purchase contract property;
- whether and when a purchase contract issued as part of a unit may be separated from the other securities or property constituting part of that unit prior to the purchase contract s settlement date;

the methods by which the holders may purchase or sell the purchase contract property;

any acceleration, cancellation or termination provisions or other provisions relating to the settlement of a purchase contract; and

whether the purchase contracts will be issued in fully registered or bearer form, in definitive or global form or in any combination of these forms, although, in any case, the form of a purchase contract included in a unit will correspond to the form of the unit and of any debt security or warrant included in that unit.

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Settlement of Purchase Contracts. Where purchase contracts issued together with debt securities or debt obligations as part of a unit require the holders to buy purchase contract property, the unit agent may apply principal payments from the debt securities or debt obligations in satisfaction of the holders obligations under the related purchase contract as specified in the prospectus supplement. The unit agent will not so apply the principal payments if the holder has delivered cash to meet its obligations under the purchase contract. To settle the purchase contract and receive the purchase contract property, the holder must present and surrender the unit certificates at the office of the unit agent. If a holder settles its obligations under a purchase contract that is part of a unit in cash rather than by delivering the debt security or debt obligation that is part of the unit, that debt security or debt obligation will remain outstanding, if the maturity extends beyond the relevant settlement date and, as more fully described in the applicable prospectus supplement, the holder will receive that debt security or debt obligation or an interest in the relevant global debt security.

Units

As specified in the applicable prospectus supplement, we may issue units consisting of one or more purchase contracts, warrants, debt securities, depositary shares, preferred shares, common shares or any combination of such securities. The applicable prospectus supplement will describe:

- the terms of the units and of the purchase contracts, warrants, debt securities, depositary shares, preferred shares and common shares comprising the units, including whether and under what circumstances the securities comprising the units may be traded separately;
- a description of the terms of any unit agreement governing the units;
- a description of the provisions for the payment, settlement, transfer or exchange or the units; and
- any applicable U.S. federal income tax consequences.

The terms and conditions described under Description of Securities We May Offer Debt Securities, Warrants, Preferred Stock, Depositary Shares, Purchase Contracts, and Common Stock will apply to each unit and to any warrants, purchase contracts, shares of preferred stock, shares of common stock or debt securities issued by us included in each unit, as applicable, unless otherwise specified in the applicable prospectus supplement.

We will issue the units under one or more unit agreements, each referred to as a Unit Agreement, to be entered into between us and a bank or trust company, as unit agent. The specific terms of any Unit Agreement will be described in the applicable prospectus supplement. We may issue units in one or more series, which will be described in the applicable prospectus supplement.

Common Stock

Our authorized capital stock includes 500 million shares of common stock, 205,171,547 of which were issued and outstanding as of May 2, 2012. The following briefly summarizes the material terms of our common stock. You should read the more detailed provisions of our certificate of incorporation and by-laws for provisions that may be important to you. You can obtain copies of these documents by following the directions outlined in Where You Can Find More Information.

General

Each holder of common stock is entitled to one vote per share for the election of directors and for all other matters to be voted on by stockholders. Except as otherwise provided by law, the holders of common stock vote as one class together with holders of our preferred stock (if they have voting rights). Holders of common stock may not cumulate their votes in the election of directors, and are entitled to share equally in the dividends that may be declared by the board of directors, but only after payment of dividends required to be paid on outstanding shares of preferred stock.

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Upon our voluntary or involuntary liquidation, dissolution or winding up, holders of common stock share ratably in the assets remaining after payments to creditors and provision for the preference of any preferred stock. There are no preemptive or other subscription rights, conversion rights or redemption or scheduled installment payment provisions relating to shares of our common stock. All of the outstanding shares of our common stock are fully paid and nonassessable. The transfer agent and registrar for the common stock is American Stock Transfer. The common stock is listed on the New York Stock Exchange under the symbol JEF.

Our affiliates may resell our common stock after its initial issuance in market-making transactions. We discuss these transactions above under Debt Securities Information in the Prospectus Supplement Market-Making Transactions.

Delaware Law, Certificate of Incorporation and By-Law Provisions that May Have an Antitakeover Effect

The following discussion concerns certain provisions of Delaware law and our certificate of incorporation and by-laws that may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interest, including offers or attempts that might result in a premium being paid over the market price for its shares.

Delaware Law. We are subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- prior to the business combination the corporation s board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder; or

- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the stockholder owned at least 85% of the outstanding voting stock of the corporation at the time the transaction commenced, excluding for the purpose of determining the number of shares outstanding those shares owned by the corporation s officers and directors and by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- at or subsequent to the time the business combination is approved by the corporation s board of directors and authorized at an annual or special meeting of its stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of its outstanding voting stock which is not owned by the interested stockholder.

A business combination includes mergers, asset sales or other transactions resulting in a financial benefit to the stockholder. An interested stockholder is a person who, together with affiliates and associates, owns (or within three years did own) 15% or more of the corporation s voting stock.

Certificate of Incorporation and By-Laws. Our by-laws provide that special meetings of stockholders may be called by our Secretary only at the request of a majority of our board of directors or by any person authorized by the board of directors to call a special meeting. Written notice of a special meeting stating the place, date and hour of the meeting and the purposes for which the meeting is called must be given between 10 and 60 days before the date of the meeting, and only business specified in the notice may come before the meeting. In addition, our by-laws provide that directors be elected by a plurality of votes cast at an annual meeting and does not include a provision for cumulative voting for directors. Under cumulative voting, a minority stockholder holding a sufficient percentage of a class of shares may be able to ensure the election of one or more directors.

Form, Exchange and Transfer

Each debt security, equity security, warrant, purchase contract and unit will be represented either by a certificate issued in definitive form to a particular investor or by one or more global securities representing the entire issuance of securities. Both certificated securities in definitive form and global securities will be issued only in registered form. Definitive securities name you or your nominee as the owner of the security, and, in order to transfer or exchange these securities or to receive payments other than interest or other interim payments, you or your nominee must physically deliver the securities to the trustee, registrar, paying agent or other agent, as applicable. Global securities name a depositary or its nominee as the owner of the debt securities, warrants, purchase contracts or units represented by these global securities. The depositary maintains a computerized system that will reflect each investor s beneficial ownership of the securities through an account maintained by the investor with its broker/dealer, bank, trust company or other representative, as we explain more fully below under Global Securities.

Our obligations, as well as the obligations of the trustee under any indenture and the obligations, if any, of any warrant agents and unit agents and any other agents of ours, any agents of the trustee or any agents of any warrant agents or unit agents, run only to the persons or entities named as holders of the securities in the relevant security register. Neither we nor any trustee, warrant agent, unit agent, other agent of ours, agent of the trustee or agent of the warrant agents or unit agents have obligations to investors who hold beneficial interest in global securities, in street name or by any other indirect means.

Upon making a payment or giving a notice to the holder as required by the terms of that security, we will have no further responsibility for that payment or notice even if that holder is required, under agreements with depositary participants or customers or by law, to pass it along to the indirect owners of beneficial interests in that security but does not do so. Similarly, if we want to obtain the approval or consent of the holders of any securities for any purpose, we would seek the approval only from the holders, and not the indirect owners, of the relevant securities. Whether and how the holders contact the indirect owners would be governed by the agreements between such holders and the indirect owners.

References to you in this prospectus refer to those who invest in the securities being offered by this prospectus, whether they are the direct holders or only indirect owners of beneficial interests in those securities.

Global Securities

We may issue debt securities, equity securities, warrants, purchase contracts and units in the form of one or more global securities that will be deposited with a depositary or its nominee identified in the applicable prospectus supplement and registered in the name of that depositary or its nominee. In those cases, one or more global securities will be issued in a denomination or aggregate denominations equal to the portion of the aggregate principal or face amount of the securities to be represented by global securities. Unless and until it is exchanged in whole for securities in definitive registered form, a global security may not be transferred except as a whole by and among the depositary for the global security, the nominees of the depositary or any successors of the depositary or those nominees.

Debt securities issued in registered global form primarily outside the United States will be deposited with a common safekeeper for Euroclear and/or Clearstream, Luxembourg and will be registered in the name of a nominee of the common safekeeper. We anticipate that the provisions described under The Depositary below will apply to all other depositary arrangements, unless otherwise described in the prospectus supplement relating to those securities.

The Depositary

Except as otherwise described herein or in the applicable prospectus supplement, The Depository Trust Company, New York, New York (the Depositary) will be designated as the depositary for any registered global security. Each registered global security will be registered in the name of Cede & Co., the Depositary s nominee.

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The Depositary is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. The Depositary holds securities deposited with it by its direct participants, and it facilitates the settlement of transactions among its direct participants in those securities through electronic computerized book-entry changes in participants accounts, eliminating the need for physical movement of securities certificates. The Depositary s direct participants include both U.S. and non-U.S. securities brokers and dealers, including the agents, banks, trust companies, clearing corporations and other organizations, some of whom and/or their representatives own the Depositary. Access to the Depositary s book-entry system is also available to others, such as both U.S. and non-U.S. brokers and dealers, banks, trust companies and clearing corporations, such as Euroclear and Clearstream, Luxembourg, that clear through or maintain a custodial relationship with a participant, either directly or indirectly. The rules applicable to the Depositary and its participants are on file with the SEC.

Purchases of the securities under the Depositary s system must be made by or through its direct participants, which will receive a credit for the securities on the Depositary s records. The ownership interest of each actual purchaser of each security (the beneficial owner) is in turn to be recorded on the records of direct and indirect participants. Beneficial owners will not receive written confirmation from the Depositary of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participants through which the beneficial owner entered into the transaction. Transfers of ownership interests in the securities are to be made by entries on the books of direct and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in securities, except in the event that use of the book-entry system for the securities is discontinued.

To facilitate subsequent transfers, all securities deposited with the Depositary are registered in the name of the Depositary s partnership nominee, Cede & Co, or such other name as may be requested by the Depositary. The deposit of securities with the Depositary and their registration in the name of Cede & Co. or such other nominee of the Depositary do not effect any change in beneficial ownership. The Depositary has no knowledge of the actual beneficial owners of the securities; the Depositary s records reflect only the identity of the direct participants to whose accounts the securities are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by the Depositary to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither the Depositary nor Cede & Co. (nor such other nominee of the Depositary) will consent or vote with respect to the securities unless authorized by a direct participant in accordance with the Depositary s procedures. Under its usual procedures, the Depositary mails an omnibus proxy to us as soon as possible after the applicable record date. The omnibus proxy assigns Cede & Co. s consenting or voting rights to those direct participants identified in a listing attached to the omnibus proxy to whose accounts the securities are credited on the record date.

Redemption proceeds, distributions, and dividend payments on the securities will be made to Cede & Co or such other nominee as may be requested by the Depositary. The Depositary s practice is to credit direct participants accounts upon the Depositary s receipt of funds and corresponding detail information from us or any agent of ours, on the date payable in accordance with their respective holdings shown on the Depositary s records. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such participant and not of the Depositary or its nominee, the trustee, any agent of ours, or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of redemption proceeds, distributions, and dividend payments to Cede & Co. or such other nominee as may be requested by the Depositary is the responsibility of us or of any paying agent of ours, disbursement of such payments to direct participants will be the responsibility of the Depositary, and disbursement of such payments to the beneficial owners will be the responsibility of direct and indirect participants.

The Depositary may discontinue providing its services as depositary with respect to the securities at any time by giving reasonable notice to us or our agent. Under such circumstances, in the event that a successor depositary is not obtained by us within 90 days, security certificates are required to be printed and delivered. In addition, under the terms of the indentures, we may at any time and in our sole discretion decide not to have any of the securities represented by one or more registered global securities. We understand, however, that, under current industry practices, the Depositary would notify its participants of our request, but will only withdraw beneficial interests from a global security at the request of each participant. We would issue definitive certificates in exchange for any such interests withdrawn. Any securities issued in definitive form in exchange for a registered global security will be registered in the name or names that the Depositary gives to the relevant trustee, warrant agent, unit agent or other relevant agent of ours or theirs. It is expected that the Depositary s instructions will be based upon directions received by the Depositary from participants with respect to ownership of beneficial interests in the registered global security that had been held by the Depositary.

According to the Depositary, the foregoing information relating to the Depositary has been provided to the financial community for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

The information in this section concerning the Depositary and Depositary s book-entry system has been obtained from sources we believe to be reliable, but we take no responsibility for the accuracy thereof. The Depositary may change or discontinue the foregoing procedures at any time.

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Book-Entry Procedures And Settlement

The securities will be issued in the form of one or more fully registered global securities which will be deposited with, or on behalf of the Depositary, and registered in the name of Cede & Co. Beneficial interests in the registered global securities will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in the Depositary, as described above. Investors may elect to hold interests in the registered global securities held by the Depositary through Clearstream, Luxembourg or Euroclear if they are participants in those systems, or indirectly through organizations which are participants in those systems. Clearstream, Luxembourg and Euroclear will hold interests on behalf of their participants through customers securities accounts in Clearstream, Luxembourg s and Euroclear s names on the books of their respective depositaries, which in turn will hold interests in the registered global securities in customers securities accounts in the depositaries names on the books of the Depositary. Citibank, N.A. will act as depositary for Clearstream, Luxembourg, and The Bank of New York Mellon, a New York banking corporation, will act as depositary for Euroclear. We refer to each of Citibank, N.A. and The Bank of New York Mellon, acting in this depositary capacity, as the U.S. depositary for the relevant clearing system. Except as set forth below, the registered global securities may be transferred, in whole but not in part, only to the Depositary, another nominee of the Depositary or to a successor of the Depositary or its nominee.

Clearstream, Luxembourg advises that distributions with respect to the securities held through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg customers in accordance with its rules and procedures, to the extent received by the U.S. depositary for Clearstream, Luxembourg.

Euroclear advises that distributions with respect to the securities held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the terms and conditions, to the extent received by the U.S. depositary for Euroclear.

Euroclear further advises that investors that acquire, hold and transfer interests in securities by book-entry through accounts with Euroclear or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between their intermediary and each other intermediary, if any, standing between themselves and the securities.

Individual certificates in respect of the securities will not be issued in exchange for the registered global securities, except in very limited circumstances. If the Depositary notifies us that it is unwilling or unable to continue as a clearing system in connection with the registered global securities or ceases to be a clearing agency registered under the Exchange Act, and a successor clearing system is not appointed by us within 90 days after receiving that notice from the Depositary or upon becoming aware that the Depositary is no longer so registered, we will issue or cause to be issued individual certificates in registered form on registration of transfer of, or in exchange for, book-entry interests in the securities represented by registered global securities upon delivery of those registered global securities for cancellation.

Title to book-entry interests in the securities will pass by book-entry registration of the transfer within the records of Clearstream, Luxembourg, Euroclear or the Depositary, as the case may be, in accordance with their respective procedures. Book-entry interests in the securities may be transferred within Clearstream, Luxembourg and within Euroclear and between Clearstream, Luxembourg and Euroclear in accordance with procedures established for these purposes by Clearstream, Luxembourg and Euroclear. Book-entry interests in the securities may be transferred within the Depositary in accordance with procedures established for this purpose by the Depositary. Transfers of book-entry interests in the securities among Clearstream, Luxembourg and Euroclear and the Depositary may be effected in accordance with procedures established for this purpose by Clearstream, Luxembourg, Euroclear and the Depositary.

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Global Clearance and Settlement Procedures

Initial settlement for the securities offered on a global basis through the Depositary will be made in immediately available funds. Secondary market trading between the Depositary s participants will occur in the ordinary way in accordance with the Depositary s rules and will be settled in immediately available funds using the Depositary s Same-Day Funds Settlement System. Secondary market trading between Clearstream, Luxembourg customers and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream, Luxembourg and Euroclear and will be settled using the procedures applicable to conventional Eurobonds in immediately available funds.

Cross-market transfers between persons holding directly or indirectly through the Depositary on the one hand, and directly or indirectly through Clearstream, Luxembourg customers or Euroclear participants, on the other, will be effected through the Depositary in accordance with the Depositary s rules on behalf of the relevant European international clearing system by its U.S. depositary; however, these cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the clearing system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its U.S. depositary to take action to effect final settlement on its behalf by delivering interests in the securities to or receiving interests in the securities from the Depositary, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to the Depositary. Clearstream, Luxembourg customers and Euroclear participants may not deliver instructions directly to their respective U.S. depositaries.

Because of time-zone differences, credits of interests in the securities received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a Depositary participant will be made during subsequent securities settlement processing and dated the business day following the Depositary settlement date. Credits of interests or any transactions involving interests in the securities received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a Depositary participant and settled during subsequent securities settlement processing will be reported to the relevant Clearstream, Luxembourg customers or Euroclear participants on the business day following the Depositary settlement date. Cash received in Clearstream, Luxembourg or Euroclear as a result of sales of interests in the securities by or through a Clearstream, Luxembourg customer or a Euroclear participant to a Depositary participant will be received with value on the Depositary settlement date but will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only as of the business day following settlement in the Depositary.

Although the Depositary, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the securities among participants of the Depositary, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform the foregoing procedures and these procedures may be changed or discontinued at any time.

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Ratio of Earnings to Fixed Charges

Our consolidated ratios of earnings to fixed charges and ratio of earnings to combined fixed charges and preferred stock dividends for the twelve months ended November 30, 2011, eleven months ended November 30, 2010 and each of the years in the three year period ended December 31, 2009 and for the three month period ended February 29, 2012 are as follows:

	Twelve Months Ended November 30, 2011	3.4 Eleven Months Ended November 30, 2010	Twelve Months Ended December 31,			Three Months Ended February 29, 2012
Restructuring charges	4.9	11.1	3.1	2.3	15.4	
Amortization of the fair value adjustments related to fixed assets and inventory	—	—	—	—	0.2	
NetBoss bad debt expenses and other	—	—	—	0.8	—	
Loss on sale of NetBoss assets	—	—	—	—	4.6	
Transactional tax assessments	—	0.6	1.4	0.6	2.8	
Liquidation of entities	—	—	—	—	0.8	
Other adjustments	—	0.2	(0.7)	—	(0.9)	
	$ 7.5	$ 16.9	$ 11.2	$ 17.8	$ 38.6	

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

Overview of Business; Operating Environment and Key Factors Impacting Fiscal 2015 and 2016 Results

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand our results of operations and financial condition. MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying notes. In the discussion below, our fiscal year ending July 1, 2016 is referred to as "fiscal 2016" or "2016"; our fiscal year ended July 3, 2015 is referred to as "fiscal 2015" or "2015"; our fiscal year ended June 27, 2014 is referred to as "fiscal 2014" or "2014"; and our fiscal year ended June 28, 2013 is referred to as "fiscal 2013" or "2013."

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

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

Our strategic focus in fiscal 2016 will be to continue to accelerate innovation and optimize our product portfolio, improve costs and operational efficiencies, grow our revenue and create a sustainable, profitable business model. To do this, we continue to examine our products, markets, facilities, development programs, and operational flows to ensure we are focused on what we do well and what will differentiate us in the future. We will continue working to streamline management processes to attain the efficiency levels required by the markets in which we do business.

Although the general trend of increasing demand for bandwidth to support mobile networks applies in all markets, we expect to see quarter-to-quarter fluctuations within markets and with individual customers based on customers' past purchasing patterns. Seasonality is also a factor that impacts our business. Our fiscal third quarter revenue and orders have historically been lower than the revenue and orders in our second fiscal quarter because many of our customers utilize a significant portion of their capital budgets at the end of their fiscal years, which is typically the calendar year end and coincides with our second fiscal quarter. The majority of our customers begin a new fiscal year on January 1, and capital expenditures tend to be lower in an organization's first quarter than in its fourth quarter. We anticipate that this seasonality will continue. The seasonality between the second quarter and third quarter may be affected by a variety of additional factors, including changes in the global economy.

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

Operations Review

The market for mobile backhaul continues to be our primary addressable market segment and, over the long term, the demand for increasing the backhaul capacity in our customers' networks continues to grow. In North America we supported long-term evolution ("LTE") deployments of our mobile operator customers, public safety network deployments for state and local governments, and private network implementations for utilities and other customers. Internationally, our business continued to rely on a combination of customers increasing their capacity to handle subscriber growth, the ongoing build-out of some large 3G deployments, and the emergence of early stage LTE deployments. Our position continues to be to support our customers for LTE readiness and ensure that our technology roadmap is well aligned with evolving market requirements. We continue to find that our strength in turnkey and after-sale support services is a differentiating factor that wins business for us and enables us to expand our business with existing customers in all markets. However, as disclosed above and in the “Risk Factors” section in Item 1A of this

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Annual Report on Form 10-K, a number of factors could prevent us from achieving our objectives, including ongoing pricing pressures attributable to competition and macroeconomic conditions in the geographic markets that we service. During the third quarter of fiscal 2015, with the intent to bring the Company's operational cost structure in line with the changing dynamics of the microwave radio and telecommunications markets, we initiated a restructuring plan (the "Fiscal 2015-2016 Plan") to lower fixed overhead costs and operating expenses and to preserve cash flow. Our restructuring expenses incurred during fiscal 2015 primarily related to the Fiscal 2015-2016 Plan and a plan we initiated in fiscal 2014 (the "Fiscal 2014-2015 Plan"). We intend to complete a majority of the remaining restructuring activities under the current plans by the first half of fiscal 2016. See "Restructuring Charges" below.

Revenue

We manage our sales activities primarily on a geographic basis in North America and three international geographic regions: (1) Africa and Middle East, (2) Europe and Russia and (3) Latin America and Asia Pacific. Revenue by region for fiscal 2015, 2014 and 2013 and the related changes were shown in the table below:

	Fiscal Year			$ Change		% Change	
(In millions, except percentages)	2015	2014	2013	2015/2014	2014/2013	2015/2014	2014/2013
North America	$153.2	$142.0	$180.5	$11.2	$(38.5)	7.9%	(21.3)%
Africa and Middle East	97.1	108.9	182.2	(11.8)	(73.3)	(10.8)%	(40.2)%
Europe and Russia	36.0	36.0	48.0	—	(12.0)	—%	(25.0)%
Latin America and Asia Pacific	49.6	59.1	60.6	(9.5)	(1.5)	(16.1)%	(2.5)%
Total Revenue	$335.9	$346.0	$471.3	$(10.1)	$(125.3)	(2.9)%	(26.6)%

Our revenue in North America increased $11.2 million, or 7.9%, in fiscal 2015 compared with fiscal 2014. The increase in North America primarily resulted from increase of revenue from the government and utility markets, while revenue from network operator customers declined in fiscal 2015 compared with fiscal 2014.

Our revenue in North America decreased $38.5 million, or 21.3%, in fiscal 2014 compared with fiscal 2013. Revenue from wireless operator customers declined as they reach completion of their LTE network building period. We also saw lower revenue from private government and utility networks due to the timing of purchases and project deliveries to those customers.

Revenue in Africa and Middle East decreased $11.8 million, or 10.8%, in fiscal 2015 compared with fiscal 2014, reflecting network operator capital spending restraint in fiscal 2015 compared with fiscal 2014. Revenue in Europe and Russia remained approximately the same for fiscal 2015 compared with fiscal 2014. Revenue in Latin America and Asia Pacific declined $9.5 million, or 16.1%, in fiscal 2015 compared with fiscal 2014, mostly due to lower product sales to our larger customers in Latin America.

Revenue in Africa and Middle East decreased $73.3 million, or 40.2%, in fiscal 2014 compared with fiscal 2013. The majority of the decrease came from reduced capital spending by our largest customer in the region. Revenue in Europe and Russia declined $12.0 million, or 25.0%, in fiscal 2014 compared with fiscal 2013. This decrease was mostly from completion of a large project in fiscal 2013 that was not repeated in fiscal 2014 and from timing of customer purchases in fiscal 2014. Revenue in Latin America and Asia Pacific declined $1.5 million, or 2.5%, in fiscal 2014 compared with fiscal 2013. The decrease was primarily due to reduced sales in Thailand and Afghanistan.

	Fiscal Year			$ Change		% Change	
(In millions, except percentages)	2015	2014	2013	2015/2014	2014/2013	2015/2014	2014/2013
Product sales	$214.9	$222.6	$336.7	$(7.7)	$(114.1)	(3.5)%	(33.9)%
Services	121.0	123.4	134.6	(2.4)	(11.2)	(1.9)%	(8.3)%
Total Revenue	$335.9	$346.0	$471.3	$(10.1)	$(125.3)	(2.9)%	(26.6)%

Our revenue from product sales decreased $7.7 million, or 3.5%, in fiscal 2015 compared with fiscal 2014. The decrease came primarily from weaker product sales in Africa and Latin America, offset in part by stronger product sales in North America, Europe and Asia. Our service revenue decreased $2.4 million, or 1.9%, in fiscal 2015 compared with fiscal 2014, due to reduced service activities in Asia Pacific, Europe and Latin America, partially offset by increased service activities in Africa and North America.

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Our revenue from product sales decreased $114.1 million, or 33.9%, in fiscal 2014 compared with fiscal 2013. The decrease was primarily due to reduced purchases of our products and services made by larger customers in Africa, North America and Europe compared to the previous year and continued reduction in fiscal 2014. Asia Pacific product sales were also down compared to fiscal 2013, with a small increase in Latin America. Our services revenue decreased $11.2 million, or 8.3%, in fiscal 2014 compared with fiscal 2013. The main reason for the decline was the reduced revenue in North America owing to the reduction in business with wireless network operators. Other regions had relatively flat service revenue performance between the years.

During fiscal 2015, the MTN Group in Africa accounted for 14% of our total revenue compared with 17% in fiscal 2014 and 25% in fiscal 2013. We have entered into separate and distinct contracts with MTN Group as well as separate arrangements with various MTN Group subsidiaries. For fiscal 2013, revenue from Verizon Wireless accounted for 11% of our total revenue. The loss of all or a substantial portion of MTN Group's business could adversely affect our results of operations, cash flows and financial position.

Gross Margin

	Fiscal Year			$ Change		% Change	
(In millions, except percentages)	2015	2014	2013	2015/2014	2014/2013	2015/2014	2014/2013
Revenue	$335.9	$346.0	$471.3	$(10.1)	$(125.3)	(2.9)%	(26.6)%
Cost of revenue	255.2	260.8	332.9	(5.6)	(72.1)	(2.1)%	(21.7)%
Gross margin	$80.7	$85.2	$138.4	(4.5)	(53.2)	(5.3)%	(38.4)%
% of revenue	24.0%	24.6%	29.4%				
Product margin %	23.7%	22.4%	28.8%				
Service margin %	24.5%	28.6%	30.7%				

Gross margin for fiscal 2015 decreased $4.5 million, or 5.3%, compared with fiscal 2014, primarily due to decreased profitability in Africa, Middle East, Europe and Latin America and a $2.5 million increase in foreign exchange loss, partially offset by improved profitability in North America and Asia along with reduced supply chain costs compared with fiscal 2014. Gross margin as a percentage of revenue decreased in fiscal 2015 compared with fiscal 2014 primarily due to lower profitability in Africa, Middle East, Europe and Latin America and increased foreign exchange losses compared with fiscal 2014, partially offset by higher gross margin rates in North America and Asia. Product margin as a percentage of product revenue increased over fiscal 2014 primarily to a greater portion of the overall business coming from North America along with improved pricing in that market, and better pricing on sales in Asia. Service margin as a percentage of service revenue declined primarily due to a less profitable service business in international markets.

Gross margin for fiscal 2014 decreased $53.2 million, or 38.4%, compared with fiscal 2013, primarily due to reduced sales volume. Gross margin as a percentage of revenue decreased in fiscal 2014 compared with fiscal 2013 primarily due to competitive market pricing pressure for our products and services and spreading our fixed costs into lower product and services revenue volumes. Product margin as a percentage of product revenue declined in fiscal 2014 primarily due to pricing pressures in international markets and the absorption of fixed costs over a lower revenue volume. Service margin as a percentage of service revenue declined primarily due to a less profitable service business in North America.

Research and Development Expenses

	Fiscal Year			$ Change		% Change	
(In millions, except percentages)	2015	2014	2013	2015/2014	2014/2013	2015/2014	2014/2013
Research and development expenses	$25.4	$35.5	$39.4	$(10.1)	$(3.9)	(28.5)%	(9.9)%
% of revenue	7.6%	10.3%	8.4%				

Our R&D expenses decreased $10.1 million, or 28.5%, in fiscal 2015 compared with fiscal 2014. As a percentage of revenue, R&D expenses decreased to 7.6% in fiscal 2015 from 10.3% in fiscal 2014. The decrease in R&D expenses was primarily due to a $7.2 million reduction in personnel and related expenses, a $1.2 million decrease in new product development costs, a $2.0 million decrease in facility expense, a $0.2 million decrease in travel expense and a $0.2 million decrease in share-based compensation expenses primarily due to restructuring of R&D in Santa Clara, California.

We continue to invest in new product features, new functionality and lower cost platforms that we believe will enable our product lines to retain their technology leads in a cost effective manner.

Our R&D expenses decreased $3.9 million, or 9.9%, in fiscal 2014 compared with fiscal 2013. As a percentage of revenue, R&D expenses also increased to 10.3% in fiscal 2014 from 8.4% in fiscal 2013. The decrease in R&D expenses of $3.9 million consisted primarily of a $3.8 million decrease of personnel expenses as a result of the restructuring programs we implemented and a $0.7 million decrease in stock based compensation, partially offset by a $0.3 million increase in expenses related to our investment in new product development.

Selling and Administrative Expenses

	Fiscal Year			$ Change		% Change	
(In millions, except percentages)	2015	2014	2013	2015/2014	2014/2013	2015/2014	2014/2013
Selling and administrative expenses	$76.0	$88.8	$95.5	$(12.8)	$(6.7)	(14.4)%	(7.0)%
% of revenue	22.6 %	25.7 %	20.3 %				

Our selling and administrative expenses decreased $12.8 million, or 14.4%, in fiscal 2015 compared with fiscal 2014. The decrease was due primarily to a $7.1 million decrease in personnel and related expenses, a $1.8 million decrease in IT consulting expenses as result of the completion of our ERP system implementation, a $1.7 million reduction in travel expenses, a $3.6 million decrease in sales commission and incentive compensation, and a $1.1 million decrease in share-based compensation expenses resulting from employee terminations and full vesting of prior stock awards. The decreases were partially offset by a $3.4 million increase in professional fees primarily associated with the annual audit of our fiscal 2014 financial statements. We will continue to seek ways to improve our operating efficiency in fiscal 2016.

Our selling and administrative expenses decreased $6.7 million, or 7.0%, in fiscal 2014 compared with fiscal 2013. The decrease was due primarily to a $2.9 million reduction in personnel expenses as a result of the restructuring programs we implemented, a $1.5 million reduction in bad debt expenses, a $1.9 million decrease in share-based compensation expenses and a $1.8 million decrease in agent commissions. This was partially offset by a $2.0 million increase in expenses for information technology projects.

Restructuring Charges

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

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

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

During the first quarter of fiscal 2011, we initiated a restructuring plan (the “Fiscal 2011 Plan”) to reduce our operational costs primarily in North America, Europe and Asia. Activities under the Fiscal 2011 Plan included the reductions in force to reduce our operating expenses and downsizing or closures of our Morrisville, North Carolina, Santa Clara, California, Montreal, Canada offices and certain international field offices. The Fiscal 2011 Plan has been completed as of the end of fiscal 2013.

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Our restructuring charges by plan for fiscal 2015, 2014 and 2013 are summarized in the table below:

	Fiscal Year			$ Change		% Change	
(In millions, except percentages)	2015	2014	2013	2015/2014	2014/2013	2015/2014	2014/2013
Restructuring charges:	$4.9	$11.1	$3.1	$(6.2)	$8.0	(55.9)%	258.1%
By Plan:							
Fiscal 2015-2016 Plan	3.4	—	—	3.4	—	N/A	N/A
Fiscal 2014-2015 Plan	1.4	5.8	—	(4.4)	5.8	(75.9)%	N/A
Fiscal 2013-2014 Plan	0.1	5.3	1.8	(5.2)	3.5	(98.1)%	194.4%
Fiscal 2011 Plan	—	—	1.3	—	(1.3)	N/A	(100.0)%

Our restructuring expenses consisted primarily of severance and related benefit charges and facilities costs related to obligations under non-cancelable leases for facilities that we ceased to use. Restructuring charges for fiscal 2015 included a $2.8 million employee termination charge primarily related to the Fiscal 2015-2016 Plan, a $1.5 million facility charge related to ceasing to use portion of our Santa Clara headquarters building and a $0.6 million Slovenia government fund penalty charge related to the workforce reduction. Restructuring charges for fiscal 2014 included a $4.7 million facilities charge primarily related to ceasing to use a portion of our Santa Clara headquarters building and a $6.4 million employee termination charge primarily related to our Fiscal 2014-2015 Plan. Restructuring charges for fiscal 2013 included a $3.0 million employee termination charge primarily related to our Fiscal 2013-2014 Plan and Fiscal 2011 Plan.

We have substantially completed our activities under the Fiscal 2014-2015 Plan and the Fiscal 2013-2014 Plan and intend to substantially complete the remaining restructuring activities under the Fiscal 2015-2016 Plan by the end of the second quarter of fiscal 2016.

Other Income, Interest Income and Interest Expense

	Fiscal Year		
(In millions)	2015	2014	2013
Other income, net	$—	$—	$0.7
Interest income	0.4	0.5	0.8
Interest expense	(0.4)	(0.4)	(0.8)

Other income of $0.7 million for fiscal 2013 reflected a nonrecurring benefit related to a customer contract.

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

Interest expense was primarily related to interest associated with borrowings and term loans under the SVB Credit Facility and discounts on customer letters of credit.

Income Taxes

	Fiscal Year			$ Change	
(In millions, except percentages)	2015	2014	2013	2015/2014	2014/2013
Income (loss) from continuing operations before income taxes	$(26.0)	$(50.5)	$0.7	$24.5	$(51.2)
Provision for income taxes	(1.3)	1.5	13.3	(2.8)	(11.8)
As % of income (loss) from continuing operations before income taxes	5.0%	(3.0)%	1,900.0%		

The income tax benefit from continuing operations for fiscal 2015 was $1.3 million. The difference between our income tax benefit from continuing operations and income tax expense at the statutory rate of 35% on our pre-tax loss of $26.0 million was primarily attributable to losses in tax jurisdictions in which we cannot recognize a tax benefit, an increase in foreign withholding taxes and the $4.4 million benefit from the release of valuation allowance.

The income tax expense from continuing operations for fiscal 2014 was $1.5 million. The difference between our income tax expense from continuing operations and income tax benefit at the statutory rate of 35% on our pre-tax loss of $50.5 million was primarily attributable to losses in tax jurisdictions in which we cannot recognize a tax benefit and increase in foreign withholding taxes.

The income tax expense from continuing operations for fiscal 2013 was $13.3 million. The difference between our income tax expense from continuing operations and income tax benefit at the statutory rate of 35% on our pre-tax loss of $0.7 million was primarily attributable to a $11.7 million increase in our reserves for uncertain tax positions, losses in tax jurisdictions in which we cannot recognize a tax benefit and increase in foreign withholding taxes. The increase in our unrecognized tax benefits was the result of additional information obtained during the recent tax examinations in certain countries during fiscal 2013.

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

Income (loss) from Discontinued Operations

	Fiscal Year			$ Change	
(In millions)	2015	2014	2013	2015/2014	2014/2013
Income (loss) from discontinued operations, net of tax	$0.1	$0.9	$(4.1)	$(0.8)	$5.0

Our discontinued operations consist of the WiMAX business, which was sold to EION Networks, Inc. (“EION”) on September 2, 2011. We completed the business transition with EION in fiscal 2012. The income recognized in fiscal 2015 was primarily due to a $0.1 million write-off of accrued liabilities due to EION. The income incurred in fiscal 2014 was primarily due to recovery of certain WiMAX customer receivables that was previously written down. The loss incurred in fiscal 2013 was primarily due to $4.2 million write-downs of certain WiMAX deferred cost of sales that were not transferred to EION and certain expenses we incurred to support a remaining customer obligation. The loss was partially offset by a $0.3 million write down of our payable to EION related to customer receivables and $0.1 million contingent payments we received from EION.

Liquidity, Capital Resources and Financial Strategies

Sources of Cash

As of July 3, 2015, our total cash and cash equivalents were $34.7 million. Approximately $11.7 million, or 33.7%, was held by entities domiciled in the United States. The remaining balance of $23.0 million, or 66.3%, was held by entities outside the United States. Of the amount of cash and cash equivalents held by our foreign subsidiaries at July 3, 2015, $17.0 million was held in jurisdictions where our undistributed earnings are indefinitely reinvested, and if repatriated, would be subject to U.S. taxes which are currently nominal.

As of July 3, 2015, our principal sources of liquidity consisted of the $34.7 million in cash and cash equivalents, $26.9 million of available credit under our $40.0 million credit facility with Silicon Valley Bank (“SVB”), and future collections of receivables from customers. We regularly require letters of credit from some customers and, from time to time, these letters of credit are discounted without recourse shortly after shipment occurs in order to meet immediate liquidity requirements and to reduce our credit and sovereign risk. Historically our primary sources of liquidity have been cash flows from operations, credit facilities and cash proceeds from sale of our equity securities.

During fiscal 2015, our total cash and cash equivalents decreased by $14.1 million primarily due to $9.0 million of cash used in operating activities, $3.7 million of cash used for capital expenditures and $4.3 million decrease due to foreign exchange rate impact, partially offset by $3.0 million net borrowing from our short-term debt arrangement.

Cash used in operating activities was $9.0 million in fiscal 2015, primarily due to our net loss of $24.6 million adjusted by non-cash expense items of $15.6 million, increases in accounts receivables of $13.5 million and inventories of $1.9 million and decreases in accounts payable and accrued expenses of $2.5 million, partially offset by decreases in unbilled costs of $6.1 million and in customer service inventories of $2.3 million, and increases in customer advance payments and unearned income of $9.3 million. The increase in accounts receivable was primarily due to higher revenue and billings to customer in the fourth quarter of fiscal 2015. The increase in inventories was primarily due to higher deferred cost of sales associated with higher unearned income and the timing of customer shipments. The decreases in accounts payable and accrued expenses were primarily due to the timing of vendor payments. The decrease in unbilled costs was due to the timing of billing of projects. The increase in customer advance payments and unearned income was

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due to the timing of revenue recognition on several large contracts. We used $5.6 million in cash during fiscal 2015 on expenses related to restructuring liabilities.

For fiscal 2016, we expect to spend approximately $4.0 million for capital expenditures, primarily on equipment for development and manufacturing of new products and to support customer managed services.

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

Available Credit Facility, Borrowings and Repayment of Debt

On March 28, 2014, we entered into a Second Amended and Restated Loan Agreement with SVB (the "SVB Credit Facility") which was amended subsequently in 2014 providing for the extensions of the deadline for preparing and filing our fiscal 2014 financial statements with the SEC. On February 27, 2015, the SVB Credit Facility was further amended providing for certain amendments to the financial covenants, borrowing base and an early termination fee if the credit facility is terminated prior to its expiration. This agreement amends and restates our First Amended and Restated Loan and Security Agreement, which was entered into on September 27, 2013 and amended on October 29, 2013, November 20, 2013 and February 10, 2014, respectively, which amendments provided for certain amendments to the maximum borrowing limit and financial covenants. As of September 27, 2013, we repaid the entire outstanding balance of the original $8.3 million two-year term loan that we borrowed on January 30, 2012. During fiscal 2015, we made net borrowings of $3.0 million and our outstanding debt under the SVB Credit Facility was $9.0 million as of July 3, 2015.

The SVB Credit Facility provides for a committed amount of up to $40.0 million, with a $30.0 million sublimit that can be borrowed by our Singapore subsidiary. Borrowings that may be advanced under the SVB Credit Facility at the lesser of $40.0 million or a borrowing base equal to a specified percentage of the value of eligible accounts receivable and U.S. unbilled accounts of the Company, subject to certain reserves and eligibility criteria. The SVB Credit Facility can also be utilized to issue letters of credit. Principal, together with all accrued and unpaid interest, is due and payable on September 26, 2016. If the SVB Credit Facility is terminated by us in certain circumstances prior to its expiration, we are subject to an early termination fee equal to 1% of the revolving line. As of July 3, 2015, available credit under the SVB Credit Facility was $26.9 million reflecting the calculated borrowing base of $40.0 million less existing borrowings of $9.0 million and outstanding letters of credit of $4.1 million.

Borrowings under the SVB Credit Facility carry an interest rate computed at the daily prime rate as published in the Wall Street Journal plus a spread of 0.50% to 1.50%, with such spread determined based on our adjusted quick ratio. If a minimum adjusted quick ratio requirement is satisfied, LIBOR advances are offered at LIBOR plus a spread of 2.75%. Interest is due and payable in arrears monthly for prime rate loans and, for LIBOR rate loans, at the end of an interest period or at each 3-month interval if the interest period is greater than three months. During fiscal 2015, the weighted average interest rate on our outstanding loan was 3.75%.

The SVB Credit Facility contains quarterly financial covenants including minimum adjusted quick ratio and minimum profitability (EBITDA) requirements. In the event our adjusted quick ratio falls below a certain level, cash received in our accounts with SVB may be directly applied to reduce outstanding obligations under the SVB Credit Facility. The SVB Credit Facility also imposes certain restrictions on our ability to dispose of assets, permit a change in control, merge or consolidate, make acquisitions, incur indebtedness, grant liens, make investments, make certain restricted payments and enter into transactions with affiliates under certain circumstances. Certain of our assets, including accounts receivable, inventory, and equipment, are pledged as collateral for the SVB Credit Facility. Upon an event of default, outstanding obligations would be immediately due and payable. Under certain circumstances, a default interest rate will apply on all obligations during the existence of an event of default at a per annum rate of interest equal to 2.00% above the applicable interest rate.

As of July 3, 2015, we were in compliance with the quarterly financial covenants contained in the SVB Credit Facility. However, as a result of uncertainty on our ability to meet the financial covenants in future and the fact that the SVB Credit Facility contains subjective acceleration clauses that could be triggered by the lender, the $9.0 million borrowing was classified as a current liability as of July 3, 2015.

Restructuring Payments

We have a liability for restructuring activities totaling $4.5 million as of July 3, 2015, of which $3.9 million is classified as current liability and expected to be paid out in cash over the next 12 months. We expect to fund these future payments with available cash and cash provided by operations.

Contractual Obligations

As of July 3, 2015, cash payments due under our contractual obligations were estimated as follows:

	Obligations Due by Fiscal Year					
(In millions)	Total	2016	2017-2018	2019-2020	After 2020	Other
Borrowings under credit facility	$9.0	$9.0	$—	$—	$—	$—
Purchase obligations[(1)(3)]	38.2	38.2	—	—	—	—
Operating lease commitments[(3)]	16.4	5.4	5.9	5.1	—	—
Reserve for uncertain tax positions[(2)]	1.0	—	—	—	—	1.0
Total contractual cash obligations	$64.6	$52.6	$5.9	$5.1	$—	$1.0

(1) From time to time in the normal course of business we may enter into purchasing agreements with our suppliers that require us to accept delivery of, and remit full payment for, finished products that we have ordered, finished products that we requested be held as safety stock, and work in process started on our behalf in the event we cancel or terminate the purchasing agreement. Because these agreements do not specify fixed or minimum quantities, do not specify minimum or variable price provisions, and do not specify the approximate timing of the transaction, and we have no present intention to cancel or terminate any of these agreements, we currently do not believe that we have any future liability under these agreements.

(2) Liabilities for uncertain tax positions of $1.0 million were included in long-term liabilities in the consolidated balance sheet. At this time, we are unable to make a reasonably reliable estimate of the timing of payments related to this amount due to uncertainties in the timing of tax audit outcomes.

(3) These items are not recorded on our balance sheet.

Commercial Commitments

We have entered into commercial commitments in the normal course of business including surety bonds, standby letters of credit and other arrangements with financial institutions and insurers primarily relating to the guarantee of future performance on certain tenders and contracts to provide products and services to customers. As of July 3, 2015, we had commercial commitments on outstanding surety bonds and standby letters of credit as follows:

	Expiration of Commitments by Fiscal Year				
(In millions)	Total	2016	2017	2018	After 2018
Standby letters of credit used for:					
Bids	$0.1	$0.1	$—	$—	$—
Payment guarantees	0.3	0.2	—	—	0.1
Performance	4.8	4.7	0.1	—	—
	5.2	5.0	0.1	—	0.1
Surety bonds used for:					
Tax and payment guarantees	3.8	3.8	—	—	—
Performance	24.1	24.1	—	—	—
	27.9	27.9	—	—	—
Total commercial commitments	$33.1	$32.9	$0.1	$—	$0.1

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As we have not historically had to pay out on any of our performance guarantees, the outstanding commercial commitments have not been recorded in our consolidated balance sheet.

Off-Balance Sheet Arrangements

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

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

Currently we are not participating in transactions that generate relationships with unconsolidated entities or financial partnerships, including variable interest entities, and we do not have any material retained or contingent interest in assets as defined above. As of July 3, 2015, we did not have material financial guarantees or other contractual commitments that are reasonably likely to adversely affect liquidity. In addition, we are not currently a party to any related party transactions that materially affect our results of operations, cash flows or financial condition.

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

Financial Risk Management

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

Exchange Rate Risk

We conduct business globally in numerous currencies and are therefore exposed to foreign currency risks. We use derivative instruments to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates. We do not hold or issue derivatives for trading purposes or make speculative investments in foreign currencies.

We use foreign exchange forward contracts to hedge forecasted foreign currency transactions relating to forecasted sales and purchase transactions. Prior to the fourth quarter of fiscal 2015, these derivatives were designated as cash flow hedges and are carried at fair value. The effective portion of the gain or loss was initially reported as a component of accumulated other comprehensive income (loss), and upon occurrence of the forecasted transaction, was subsequently reclassified into the income or expense line item to which the hedged transaction relates. Beginning the fourth quarter of fiscal 2015, we no longer prepared contemporaneous documentation of hedges therefore the foreign exchange hedges no longer qualified as cash flow hedge. The changes in fair value related to the hedges were recorded in income or expenses line items on our statements of operations. We also enter into foreign exchange forward contracts to mitigate the change in fair value of specific non-functional currency assets and liabilities on the balance sheet. All balance sheet hedges are marked to market through earnings every period. Changes in the fair value of these derivatives are largely offset by re-measurement of the underlying assets and liabilities.

As of July 3, 2015, we had foreign currency forward contracts outstanding with a total notional amount of $14.2 million consisting of 9 different currencies. The following is a summary of the gross notional amount of our outstanding contracts grouped by the underlying foreign currency as of July 3, 2015:

Currency	Notional Contract Amount (Local Currency)	Notional Contract Amount (USD)
	(In millions)	
Australian dollar	2.6	$2.0
Canadian dollar	2.6	2.1
Euro	2.9	3.2
Polish Zloty	3.7	1.0
Republic of South Africa rand	52.9	4.3
Other currencies	N/A	1.6
Total of all currency forward contracts		$14.2

Net foreign exchange loss recorded in our consolidated statements of operations during fiscal 2015, 2014 and 2013 was as follows:

	Fiscal Year		
(In millions)	2015	2014	2013
Foreign exchange loss, net	$(3.3)	$(0.8)	$(1.5)

A 10% adverse change in currency exchange rates for our foreign currency derivatives held as of July 3, 2015 would have an impact of approximately $1.4 million on the fair value of such instruments. This quantification of exposure to the market risk associated with foreign exchange financial instruments does not take into account the offsetting impact of changes in the fair value of our foreign denominated assets, liabilities and firm commitments.

Certain of our international business was transacted in non-U.S. dollar currency. As discussed above, we utilize foreign currency hedging instruments to minimize the currency risk of international transactions. The impact of translating the assets and liabilities of foreign operations to U.S. dollars is included as a component of stockholders' equity. As of July 3, 2015 and June 27, 2014, the cumulative translation adjustment decreased our stockholders' equity by $8.5 million and $2.9 million, respectively.

During fiscal 2015 the company experienced increased volatility in foreign currency markets, resulting in the increased year over year losses in foreign exchange and cumulative translation adjustments mentioned here, particularly in countries where there is no available market to hedge the local currency. Market events at the time of this report would indicate that the volatility in currency markets will continue.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our cash equivalents and borrowings under our credit facility.

Exposure on Cash Equivalents

We had $34.7 million in total cash and cash equivalents as of July 3, 2015. Cash equivalents totaled $13.1 million as of July 3, 2015 and were comprised of money market funds and certificates of deposit. Cash equivalents have been recorded at fair value on our balance sheet.

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

The primary objective of our short-term investment activities is to preserve principal while maximizing yields, without significantly increasing risk. Our cash equivalents earn interest at fixed rates; therefore, changes in interest rates

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will not generate a gain or loss on these investments unless they are sold prior to maturity. Actual gains and losses due to the sale of our investments prior to maturity have been immaterial. The weighted average days to maturity for cash equivalents held as of July 3, 2015 was five days, and these investments had an average yield of 1.4% per annum. A 10% change in interest rates on our cash and cash equivalents is not expected to have a material impact on our financial position, results of operations or cash flows.

Exposure on Borrowings

During fiscal 2015, we had $9.0 million of demand borrowings outstanding under our credit facility that incurred interest at the prime rate or prime rate plus a spread of 0.50% to 1.50%. During fiscal 2015, our weighted average interest rate was 3.75% and we recorded total interest expense of $0.3 million on these borrowings.

A 10% change in interest rates on the current borrowings or on future borrowings is not expected to have a material impact on our financial position, results of operations or cash flows since interest on our borrowings is not material to our overall financial position.

Critical Accounting Estimates

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

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

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

- revenue recognition and valuation of accounts receivable;
- inventory valuation and provision for excess and obsolete inventory losses;
- impairment of long-lived assets; and
- income taxes and tax valuation allowances.

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

The following is not intended to be a comprehensive list of all of our accounting policies or estimates. Our significant accounting policies are more fully described in “Note 1. The Company and Summary of Significant Accounting Policies” in the notes to consolidated financial statements. In preparing our financial statements and accounting for the underlying transactions and balances, we apply those accounting policies. We consider the estimates discussed below as critical to an understanding of our financial statements because their application places the most significant demands on our judgment, with financial reporting results relying on estimates about the effect of matters that are inherently uncertain.

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

Revenue Recognition and Valuation of Accounts Receivable

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

Revenue is recognized when all of the following criteria have been met:

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

We often enter into multiple contractual agreements with the same customer. Such agreements are reviewed to determine whether they should be evaluated as one arrangement. If an arrangement, other than a long-term contract, requires the delivery or performance of multiple deliverables or elements, we determine whether the individual elements represent "separate units of accounting". The determination as to whether multiple contractual agreements should be evaluated as one arrangement and the identification of units of accounting in an arrangement requires significant judgment and impacts the amount of product and service revenue recognized in a given period.

In accordance with ASC 605-25, Revenue Recognition — Multiple-Element Arrangements, based on the terms and conditions of the product arrangements, we believe that our products and services can be accounted for separately as our products and services have value to our customers on a stand-alone basis. Accordingly, the arrangement consideration is allocated among deliverables based on their relative selling price. We generally determine relative selling price using estimated selling price ("ESP"). Revenue from each deliverable is recognized when all requirements are met for that specific deliverable. There is generally no customer right of return in our sales agreements. The sequence for typical multiple-element arrangements is as follows: we deliver our products, perform installation services and then provide post-contract support services.

The selling price for each element is based upon the following selling price hierarchy: Vendor-specific objective evidence ("VSOE") if available, third party evidence ("TPE") if VSOE is not available or ESP if neither VSOE nor TPE are available. Generally, we are not able to determine TPE because our go-to-market strategy differs from that of our peers and our offerings contain a significant level of differentiation such that the comparable pricing of products with similar functionality cannot be obtained. In determining ESP, we apply significant judgment as we weigh a variety of factors including our pricing policies, internal costs and gross margin objectives, method of distribution, information gathered from experience in customer negotiations, market research and information, recent technological trends, competitive landscape and geographies. The determination of ESP is approved by our management taking into consideration our pricing strategy. We regularly review VSOE, TPE and ESP and maintain internal controls over the establishment and updates of these estimates. We do not expect a material impact in future periods from changes in VSOE, TPE or ESP.

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

Accounts receivable is presented net of allowance for estimated uncollectible accounts to reflect any loss anticipated on the collection of accounts receivable balances. We calculate the allowance for doubtful accounts based on our history of write-offs, level of past due accounts and the economic status of the customers. We regularly review the adequacy of these allowances by considering internal factors such as historical experience, credit quality and age of the receivable balances as well as external factors such as economic conditions that may affect a customer's ability to pay and their expected default frequency rates, which are published by major third-party credit-rating agencies and are generally updated on a quarterly basis. If a major customer's creditworthiness deteriorates, actual defaults are higher than our historical experience, or other circumstances arise, then our estimates of the recoverability of amounts due to us could be overstated, and additional allowances could be required, which could have an adverse impact on our operating results.

Inventory Valuation and Provisions for Excess and Obsolete Losses

Our inventories have been valued at the lower of cost or market. We balance the need to maintain prudent inventory levels to ensure competitive delivery performance with the risk of excess or obsolete inventory due to changing technology and customer requirements, and new product introductions. Beginning in the first quarter of fiscal 2011, the manufacturing of our products was handled primarily by contract manufacturers. Our contract manufacturers procure components and manufacture our products based on our forecast of product demand. We regularly review inventory quantities on hand and record a provision for excess and obsolete inventory based primarily on our estimated forecast of product demand, the stage of the product life cycle, anticipated end of product life and production requirements. Several factors may influence the sale and use of our inventories, including decisions to exit a product line, technological change, new product development and competing product offerings. These factors could result in a change in the amount of obsolete inventory quantities on hand. Additionally, our estimates of future product demand may prove to be inaccurate, in which case the provision required for excess and obsolete inventory may be overstated or understated. In the future, if we determine that our inventory is overvalued, we would be required to recognize such costs in cost of product sales and services in our Statement of Operations at the time of such determination. In the case of goods which have been written down below cost at the close of a fiscal quarter, such reduced amount is considered the new lower cost basis for subsequent accounting purposes, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis. We did not make any material changes in the valuation methodology during the past three fiscal years.

Our customer service inventories are stated at the lower of cost or market. We carry service parts because we generally provide product warranty for 12 to 36 months and earn revenue by providing enhanced and extended warranty and repair service during and beyond this warranty period. Customer service inventories consist of both component parts, which are primarily used to repair defective units, and finished units, which are provided for customer use permanently or on a temporary basis while the defective unit is being repaired. We record adjustments to reduce the carrying value of customer service inventories to their net realizable value. Factors influencing these adjustments include product life cycles, end of service life plans and volume of enhanced or extended warranty service contracts. Estimates of net realizable value involve significant estimates and judgments about the future, and revisions would be required if these factors differ from our estimates.

Impairment of Long-Lived Assets

We evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the assets. If impairment exists, the impairment loss is measured and recorded based on discounted estimated future cash flows. In estimating future cash flows, assets are grouped at the lowest levels for which there are identifiable cash flows that are largely independent of cash flows from other asset groups.

Our estimate of future cash flows is based upon, among other things, certain assumptions about expected future operating performance, growth rates and other factors. The actual cash flows realized from these assets may vary significantly from our estimates due to increased competition, changes in technology, fluctuations in demand, consolidation of our customers, reductions in average selling prices and other factors. Assumptions underlying future cash flow estimates are therefore subject to significant risks and uncertainties.

Income Taxes and Tax Valuation Allowances

We record the estimated future tax effects of temporary differences between the tax basis of assets and liabilities of amounts reported in our consolidated balance sheet, as well as operating loss and tax credit carryforwards. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. Although we believe our reserves are reasonable, no assurance can be given that the final tax outcome of these matters will not be different from that which is reflected in our historical income tax provisions and accruals. We adjust these reserves in light of changing facts and circumstances, such as the opening and closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences may result in an increase or decrease to our tax provision in a subsequent period in which such determination is made.

We record deferred taxes by applying enacted statutory tax rates to the respective jurisdictions and follow specific and detailed guidelines in each tax jurisdiction regarding the recoverability of any tax assets recorded on the balance sheet and provide necessary valuation allowances as required. Future realization of deferred tax assets ultimately depends on meeting certain criteria in ASC 740, Income Taxes. One of the major criteria is the existence of sufficient taxable income of the appropriate character (for example, ordinary income or capital gain) within the carryback or carryforward periods available under the tax law. We regularly review our deferred tax assets for recoverability based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. Our judgments regarding future profitability may change due to many factors, including future market conditions and our ability to successfully execute our business plans and/or tax planning strategies. Should there be a change in our ability to recover our deferred tax assets, our tax provision would increase or decrease in the period in which the assessment is changed.

The accounting estimates related to the liability for uncertain tax position require us to make judgments regarding the sustainability of each uncertain tax position based on its technical merits. It is inherently difficult and subjective to estimate our reserves for the uncertain tax positions. Although we believe our estimates are reasonable, no assurance can be given that the final tax outcome of these matters will be same as these estimates. These estimates are updated quarterly based on factors such as change in facts or circumstances, changes in tax law, new audit activity, and effectively settled issues.

Impact of Recently Issued Accounting Pronouncements

See Note 1 of the accompanying consolidated financial statements for a full description of recently issued accounting pronouncements, including the respective expected dates of adoption and effects on our consolidated financial position and results of operations.

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

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

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Item 8. Financial Statements and Supplementary Data
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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Aviat Networks, Inc.
Santa Clara, California:

We have audited the accompanying consolidated balance sheet of Aviat Networks, Inc. as of July 3, 2015 and the related consolidated statements of operations, comprehensive loss, equity and cash flows for the year ended July 3, 2015. In connection with our audit of the financial statements, we have also audited the financial statement schedule - Valuation and Qualifying Accounts as of and for the year ended July 3, 2015 listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aviat Networks, Inc. as of July 3, 2015 and the results of its operations and its cash flows for the year ended July 3, 2015, in conformity with U.S. generally accepted accounting principles.

Also, in our opinion, the financial statement schedule - Valuation and Qualifying Accounts as of and for the year ended July 3, 2015, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Aviat Networks, Inc.'s internal control over financial reporting as of July 3, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria), and our report dated September 30, 2015 expressed an adverse opinion thereon.

/s/ BDO USA, LLP

San Jose, California
September 30, 2015

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Report of Independent Registered Public Accounting Firm
The Board of Directors and Stockholders
Aviat Networks, Inc.
Santa Clara, California:

We have audited Aviat Networks, Inc. and subsidiaries' ("the Company") internal control over financial reporting as of July 3, 2015, based on criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Material weaknesses related to the Company's risk assessment processes, monitoring activities, as well as control activities specific to account reconciliations, revenue recognition, revenue cut-off procedures, project accruals and inventory existence have been identified and included in management's assessment in Item 9A(a). These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2015 consolidated financial statements, and this report does not affect our report dated September 30, 2015 on those consolidated financial statements.

In our opinion, Aviat Networks, Inc. did not maintain, in all material respects, effective internal control over financial reporting as of July 3, 2015, based on the COSO criteria.

We do not express an opinion or any other form of assurance on management's statements referring to corrective actions taken by the Company after the date of management's assessment.

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We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Aviat Networks, Inc. as of July 3, 2015 and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for the year ended July 3, 2015 and our report dated September 30, 2015 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

San Jose, California
September 30, 2015

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheet of Aviat Networks, Inc. and subsidiaries ("the Company") as of June 27, 2014, and the related consolidated statements of operations, comprehensive loss, equity, and cash flows for each of the years in the two-year period ended June 27, 2014. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule of valuation and qualifying accounts and reserves. These consolidated financial statements and consolidated financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and consolidated financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Aviat Networks, Inc. and subsidiaries as of June 27, 2014, and the results of their operations and their cash flows for each of the years in the two-year period ended June 27, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Santa Clara, CA
December 19, 2014

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AVIAT NETWORKS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share amounts)	Fiscal Year Ended July 3, 2015	June 27, 2014	June 28, 2013
Revenues:			
Revenue from product sales	$214.9	$222.6	$336.7
Revenue from services	121.0	123.4	134.6
Total revenues	335.9	346.0	471.3
Cost of revenues:			
Cost of product sales	163.9	172.7	239.6
Cost of services	91.3	88.1	93.3
Total cost of revenues	255.2	260.8	332.9
Gross margin	80.7	85.2	138.4
Operating expenses:			
Research and development expenses	25.4	35.5	39.4
Selling and administrative expenses	76.0	88.8	95.5
Amortization of identifiable intangible assets	0.4	0.4	0.4
Restructuring charges	4.9	11.1	3.1
Total operating expenses	106.7	135.8	138.4
Operating income (loss)	(26.0)	(50.6)	—
Other income, net	—	—	0.7
Interest income	0.4	0.5	0.8
Interest expense	(0.4)	(0.4)	(0.8)
Income (loss) from continuing operations before income taxes	(26.0)	(50.5)	0.7
Provision for (benefit from) income taxes	(1.3)	1.5	13.3
Loss from continuing operations	(24.7)	(52.0)	(12.6)
Income (loss) from discontinued operations, net of tax	0.1	0.9	(4.1)
Net loss	(24.6)	(51.1)	(16.7)
Less: Net income attributable to noncontrolling interests, net of tax	0.1	—	—
Net loss attributable to Aviat Networks	$(24.7)	$(51.1)	$(16.7)
Amount attributable to Aviat Networks			
Net loss from continuing operations, net of tax	$(24.8)	$(52.0)	$(12.6)
Net income (loss) from discounting operations, net of tax	$0.1	$0.9	$(4.1)
Basic and diluted loss per share attributable to Aviat Networks' common stockholders:			
Continuing operations	$(0.40)	$(0.84)	$(0.21)
Discontinued operations	$0.00	$0.01	$(0.07)
Net loss	$(0.40)	$(0.83)	$(0.28)
Weighted average shares outstanding, basic and diluted	62.2	61.6	60.0

See accompanying notes to consolidated financial statements

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AVIAT NETWORKS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In millions)	Fiscal Year Ended July 3, 2015	June 27, 2014	June 28, 2013
Net loss	$(24.6)	$(51.1)	$(16.7)
Other comprehensive income (loss):			
Cash flow hedges:			
Change in unrealized gain (loss) on cash flow hedges	0.4	(0.3)	0.1
Reclassification adjustments for (gain) loss included in net loss	(0.4)	0.2	—
Net change in unrealized gain (loss) on hedging activities	—	(0.1)	0.1
Net change in cumulative translation adjustment	(5.6)	0.5	0.6
Other comprehensive income (loss)	(5.6)	0.4	0.7
Comprehensive loss	(30.2)	(50.7)	(16.0)
Comprehensive income attributable to noncontrolling interests, net of tax	0.1	—	—
Comprehensive loss attributable to Aviat Networks	$(30.3)	$(50.7)	$(16)

See accompanying notes to consolidated financial statements

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AVIAT NETWORKS, INC.
CONSOLIDATED BALANCE SHEETS

(In millions, except share and par value amounts)	July 3, 2015	June 27, 2014
ASSETS		
Current Assets:		
Cash and cash equivalents	$34.7	$48.8
Accounts receivables, net	88.2	77.2
Unbilled costs	17.3	23.8
Inventories	32.9	38.1
Customer service inventories	6.2	11.4
Deferred income taxes	1.5	1.5
Other current assets	15.0	17.4
Total current assets	195.8	218.2
Property, plant and equipment, net	24.3	29.3
Identifiable intangible assets, net	—	0.4
Deferred income taxes	7.6	3.4
Other assets	1.7	1.9
TOTAL ASSETS	$229.4	$253.2
LIABILITIES AND EQUITY		
Current Liabilities:		
Short-term debt	$9.0	$6.0
Accounts payable	46.6	46.1
Accrued compensation and benefits	7.5	10.1
Other accrued expenses	19.7	23.1
Advance payments and unearned income	41.7	33.3
Deferred income taxes	0.2	0.2
Restructuring liabilities	3.9	2.8
Total current liabilities	128.6	121.6
Unearned income	8.6	8.5
Other long-term liabilities	2.2	5.0
Reserve for uncertain tax positions	1.4	1.0
Deferred income taxes	4.7	5.2
Total liabilities	145.5	141.3
Commitments and contingencies (Note 13)		
Equity:		
Aviat Networks stockholders' equity:		
Preferred stock, $0.01 par value; 50,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value; 300,000,000 shares authorized; 62,498,401 and 62,218,226 shares issued and outstanding as of as of July 3, 2015 and June 27, 2014, respectively	0.6	0.6
Additional paid-in-capital	809.2	807.0
Accumulated deficit	(717.5)	(692.8)
Accumulated other comprehensive loss	(8.5)	(2.9)
Total Aviat Networks stockholders' equity	83.8	111.9
Noncontrolling interests	0.1	—
Total equity	83.9	111.9
TOTAL LIABILITIES AND EQUITY	$229.4	$253.2

See accompanying notes to consolidated financial statements

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AVIAT NETWORKS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Fiscal Year Ended July 3, 2015	June 27, 2014	June 28, 2013
Operating Activities			
Net loss	$(24.6)	$(51.1)	$(16.7)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Amortization of identifiable intangible assets	0.4	0.4	1.0
Depreciation and amortization of property, plant and equipment	7.2	7.1	5.6
Provision for receivables	0.9	0.8	2.5
Share-based compensation	2.2	3.4	6.4
Deferred income taxes benefit	(4.7)	(0.3)	(0.2)
Charges for inventory and customer service inventory write-downs	9.3	7.2	9.7
Gain on disposition of WiMAX business	(0.1)	—	(0.4)
Loss (gain) on disposition of property, plant and equipment, net	0.4	(0.1)	(0.1)
Changes in operating assets and liabilities:			
Receivables	(13.5)	8.2	1.9
Unbilled costs	6.1	5.1	(3.1)
Inventories	(1.9)	(7.0)	13.6
Customer service inventories	2.3	1.5	0.9
Accounts payable	1.6	(2.7)	(7.1)
Accrued expenses	(4.1)	(6.5)	(1.5)
Advance payments and unearned income	9.3	14.6	(14.1)
Income taxes payable or receivable	1.4	(11.9)	10.1
Other assets and liabilities	(1.2)	2.0	(0.1)
Net cash provided by (used in) operating activities	(9.0)	(29.3)	8.4
Investing Activities			
Payments related to disposition of WiMAX business, net	—	—	(0.1)
Payments for acquisition of property, plant and equipment	(3.7)	(9.4)	(10.4)
Net cash used in investing activities	(3.7)	(9.4)	(10.5)
Financing Activities			
Proceeds from borrowings	54.0	—	—
Repayments of borrowings	(51.0)	(2.8)	(4.1)
Proceeds from issuance of common stock under employee stock plans	—	0.1	0.3
Payments on capital lease obligations	(0.1)	(0.1)	(0.1)
Net cash provided by (used in) financing activities	2.9	(2.8)	(3.9)
Effect of exchange rate changes on cash and cash equivalents	(4.3)	0.3	—
Net decrease in cash and cash equivalents	(14.1)	(41.2)	(6.0)
Cash and cash equivalents, beginning of year	48.8	90.0	96.0
Cash and cash equivalents, end of year	$34.7	$48.8	$90.0
Supplemental disclosures of cash flow information:			
Cash paid for interest	$0.4	$0.4	$0.8
Cash paid for income taxes	$2.0	$14.7	$3.0
Non-cash investing activities:			
Property and equipment acquired under capital lease	$—	$—	$0.4

See accompanying notes to consolidated financial statements

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AVIAT NETWORKS, INC.
CONSOLIDATED STATEMENTS OF EQUITY

	Aviat Networks Stockholders' Equity							
	Common Stock							
	Shares	$ Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Aviat Networks Stockholders' Equity	Noncontrolling Interests	Total Equity
	(In millions)							
Balance as of June 29, 2012	61.3	$ 0.6	$ 796.8	$ (625.0)	$ (4.0)	$ 168.4	$ —	$ 168.4
Net loss	—	—	—	(16.7)	—	(16.7)	—	(16.7)
Other comprehensive income, net	—	—	—	—	0.7	0.7	—	0.7
Issuance of common stock under employee stock plans	—	—	0.3	—	—	0.3	—	0.3
Share-based compensation	—	—	6.4	—	—	6.4	—	6.4
Balance as of June 28, 2013	61.3	0.6	803.5	(641.7)	(3.3)	159.1	—	159.1
Net loss	—	—	—	(51.1)	—	(51.1)	—	(51.1)
Other comprehensive income, net	—	—	—	—	0.4	0.4	—	0.4
Issuance of common stock under employee stock plans	0.9	—	0.1	—	—	0.1	—	0.1
Share-based compensation	—	—	3.4	—	—	3.4	—	3.4
Balance as of June 27, 2014	62.2	0.6	807.0	(692.8)	(2.9)	111.9	—	111.9
Income (loss)	—	—	—	(24.7)	—	(24.7)	0.1	(24.6)
Other comprehensive loss, net	—	—	—	—	(5.6)	(5.6)	—	(5.6)
Issuance of common stock under employee stock plans	0.3	—	—	—	—	—	—	—
Share-based compensation	—	—	2.2	—	—	2.2	—	2.2
Balance as of July 3, 2015	62.5	$ 0.6	$ 809.2	$ (717.5)	$ (8.5)	$ 83.8	$ 0.1	$ 83.9

See accompanying notes to consolidated financial statements

AVIAT NETWORKS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The Company and Summary of Significant Accounting Policies

The Company

We design, manufacture and sell a range of wireless networking solutions and services to mobile and fixed telephone service providers, private network operators, government agencies, transportation and utility companies, public safety agencies and broadcast system operators across the globe. Our products include broadband wireless access base stations and customer premises equipment for fixed and mobile, point-to-point digital microwave radio systems for access, backhaul, trunking and license-exempt applications, supporting new network deployments, network expansion, and capacity upgrades.

We were incorporated in Delaware in 2006 to combine the businesses of Harris Corporation's Microwave Communications Division ("MCD") and Stratex Networks, Inc. ("Stratex"). On January 28, 2010, we changed our corporate name from Harris Stratex Networks, Inc. to Aviat Networks, Inc. ("Aviat Networks," "we," "us," and "our") to more effectively reflect our business and communicate our brand identity to customers. Additionally, the change of our corporate name was to comply with the termination of the Harris Corporation ("Harris") trademark licensing agreement resulting from the spin-off by Harris of its interest in our stock to its stockholders in May 2009.

Basis of Presentation

The consolidated financial statements include the accounts of Aviat Networks and its wholly-owned and majority owned subsidiaries. Significant intercompany transactions and accounts have been eliminated.

Our fiscal year ends on the Friday nearest June 30. This was July 3 for fiscal 2015, June 27 for fiscal 2014 and June 28 for fiscal 2013. Fiscal year 2015 included 53 weeks and fiscal years 2014 and 2013 presented each included 52 weeks. In these notes to consolidated financial statements, we refer to our fiscal years as "fiscal 2015", "fiscal 2014" and "fiscal 2013."

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") requires us to make estimates, assumptions and judgments affecting the amounts reported and related disclosures. Estimates are based upon historical factors, current circumstances and the experience and judgment of our management. We evaluate our estimates and assumptions on an ongoing basis and may employ outside experts to assist us in making these evaluations. Changes in such estimates, based on more accurate information, or different assumptions or conditions, may affect amounts reported in future periods. Such estimates affect significant items, including revenue recognition, provision for doubtful accounts, inventory valuation, valuation allowances for deferred tax assets, uncertainties in income taxes, restructuring obligations, product warranty obligations, share-based awards, contingencies and useful lives of property, plant and equipment.

Reclassifications

Certain amounts in the fiscal 2014 and 2013 financial statements have been reclassified to conform with fiscal 2015 presentation.

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents are carried at amortized cost, which approximates fair value due to the short-term nature of these investments. We hold cash and cash equivalents at several major financial institutions, which often significantly exceed Federal Deposit Insurance Corporation insured limits. However, a substantial portion of the cash equivalents is invested in prime money market funds which are backed by the securities in the fund.

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

As of July 3, 2015 and June 27, 2014, all of our high-quality marketable debt securities were invested in prime money market funds and were classified as cash equivalents.

Cash and cash equivalents that are restricted as to withdrawal or usage under the terms of contractual agreements are recorded as restricted cash. At July 3, 2015, restricted cash included cash balances in our disability insurance voluntary plan account that cannot be used by us for any operating purposes other than to pay benefits to the insured employees and was recorded in other assets in our consolidated balance sheets. The corresponding liabilities were included in other long-term liabilities in our consolidated balance sheets.

Significant Concentrations

We typically invoice our customers for the sales order (or contract) value of the related products delivered at various milestones, including order receipt, shipment, installation and acceptance and for services when rendered. Our trade receivables are derived from sales to customers located in North America, Africa, Europe, the Middle East, Russia, Asia-Pacific and Latin America.

Accounts receivable is presented net of allowance for estimated uncollectible accounts to reflect any loss anticipated on the collection of accounts receivable balances. We calculate the allowance based on our history of write-offs, level of past due accounts and the economic status of the customers. The fair value of our accounts receivable approximates their net realizable value.

We regularly require letters of credit from some customers and, from time to time, we discount these letters of credit issued by customers through various financial institutions. The discounting of letters of credit depends on many factors, including the willingness of financial institutions to discount the letters of credit and the cost of such arrangements. Under these arrangements, collection risk is fully transferred to the financial institutions. We record the financing charges on discounting these letters of credit as interest expense. Total customer letters of credit discounted and related interest expense were as follows:

	Fiscal Year		
(In millions)	2015	2014	2013
Customer letters of credit discounted	$11.6	$1.8	$36.8
Interest expense	$0.1	$—	$0.2

During fiscal 2015, 2014 and 2013, we had one international customer in Africa, Mobile Telephone Networks Group ("MTN Group") that accounted for 14%, 17% and 25%, respectively, of our total revenue. In addition, Verizon Wireless accounted for 11% of our total revenue during fiscal 2013. As of July 3, 2015 and June 27, 2014, MTN Group accounted for approximately 10% and 17%, respectively, of our accounts receivable. No other customers accounted for more than 10% of our revenue or accounts receivable for the years presented.

Financial instruments that potentially subject us to a concentration of credit risk consist principally of cash equivalents, marketable debt securities, trade accounts receivable and financial instruments used in foreign currency hedging activities. We invest our excess cash primarily in prime money market funds and certificates of deposit. We are exposed to credit risks related to such instruments in the event of default or decrease in credit-worthiness of the issuers of the investments.

We perform ongoing credit evaluations of our customers and generally do not require collateral on accounts receivable, as the majority of our customers are large, well-established companies. However, in certain circumstances, we may require letters of credit, additional guarantees or advance payments. We maintain allowances for collection losses, but historically have not experienced any significant losses related to any particular geographic area. Our customers are primarily in the telecommunications industry, so our accounts receivable are concentrated within one industry and exposed to concentrations of credit risk within that industry. Accounts receivable are written off when attempts to collect outstanding amounts have been exhausted or there are other indicators that the amounts are no longer collectible.

We rely on third parties to manufacture our products and we purchase raw materials from third-party vendors. We outsourced our manufacturing services to two independent manufacturers. In addition, we purchase certain strategic component inventory which is consigned to our third-party manufacturers. Other components included in our products

are sourced from various suppliers and are principally industry standard parts and components that are available from multiple vendors. The inability of a contract manufacturer or supplier to fulfill our supply requirements or changes in their financial or business condition could disrupt our ability to supply quality products to our customers, and thereby may have a material adverse effect on our business and operating results.

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

Inventories

Inventories are valued at the lower of cost or market. Cost is determined using standard cost, which approximates actual cost on a weighted-average basis. We regularly review inventory quantities on hand and record adjustments to reduce the cost of inventory for excess and obsolete inventory based primarily on our estimated forecast of product demand and production requirements. Inventory adjustments are measured as the difference between the cost of the inventory and estimated market value based upon assumptions about future demand and charged to the provision for inventory, which is a component of cost of sales. At the point of the loss recognition, a new, lower-cost basis for that inventory is established, and any subsequent improvements in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

Customer Service Inventories

Our customer service inventories are stated at the lower of cost or market. We carry service parts because we generally provide product warranty for 12 to 36 months and earn revenue by providing enhanced and extended warranty and repair service during and beyond this warranty period. Customer service inventories consist of both component parts, which are primarily used to repair defective units, and finished units, which are provided for customer use permanently or on a temporary basis while the defective unit is being repaired. We record adjustments to reduce the carrying value of customer service inventories to their net realizable value. Factors influencing these adjustments include product life cycles, end of service life plans and volume of enhanced or extended warranty service contracts. Estimates of net realizable value involve significant estimates and judgments about the future, and revisions would be required if these factors differ from our estimates.

Property, Plant and Equipment

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

Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized on the straight-line method over the shorter of the remaining lease term or the estimated useful life of the improvements. The useful lives of the assets are generally as follows:

Buildings	40 years
Leasehold improvements	2 to 10 years
Software	3 to 5 years
Machinery and equipment	2 to 5 years

Expenditures for maintenance and repairs are charged to expense as incurred. Cost and accumulated depreciation of assets sold or retired are removed from the respective property accounts, and any gain or loss is reflected in the consolidated statements of operations.

Impairment of Long-Lived Assets

We evaluate long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the assets. If impairment exists, the impairment loss

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is measured and recorded based on discounted estimated future cash flows. In estimating future cash flows, assets are grouped at the lowest levels for which there are identifiable cash flows that are largely independent of cash flows from other asset groups.

Our estimate of future cash flows is based upon, among other things, certain assumptions about expected future operating performance, growth rates and other factors. The actual cash flows realized from these assets may vary significantly from our estimates due to increased competition, changes in technology, fluctuations in demand, consolidation of our customers, reductions in average selling prices and other factors. Assumptions underlying future cash flow estimates are therefore subject to significant risks and uncertainties.

Other Accrued Expenses and Other Assets

No accrued liabilities or expenses within other accrued expenses in our consolidated balance sheets exceeded 5% of our total current liabilities as of July 3, 2015 or June 27, 2014. Other accrued expenses in our consolidated balance sheets primarily consists of accruals for sales commissions, warranties and severance. No current assets other than those already disclosed in the consolidated balance sheets exceeded 5% of our total current assets as of July 3, 2015 or June 27, 2014. No assets within other assets in the consolidated balance sheets exceeded 5% of total assets as of July 3, 2015 or June 27, 2014.

Warranties

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

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

Noncontrolling interests

A noncontrolling interest represents the equity interest in a subsidiary that is not attributable, either directly or indirectly, to Aviat Networks and is reported as our equity, separately from our controlling interests. Revenues, expenses, gains, losses, net income (loss) and other comprehensive income (loss) are reported in the consolidated financial statements at the consolidated amounts, which include the amounts attributable to both the controlling and noncontrolling interests.

Operating Leases

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

Foreign Currency Translation

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

Our other international subsidiaries use their respective local currency as their functional currency. Assets and liabilities of these subsidiaries are translated at the local current exchange rates in effect at the balance sheet date, and

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income and expense accounts are translated at the average exchange rates during the period. The resulting translation adjustments are included in accumulated other comprehensive loss.

Gains and losses resulting from foreign exchange transactions and translation of monetary assets and liabilities in non-functional currencies are included in cost of product sales and services in the accompanying consolidated statements of operations. Net foreign exchange losses recorded in our consolidated statements of operations during fiscal 2015, 2014 and 2013 totaled \$3.3 million, \$0.8 million and \$1.5 million, respectively.

Retirement Benefits

As of July 3, 2015, we provided retirement benefits to substantially all employees primarily through our defined contribution retirement plans. These plans have matching and savings elements. Contributions by us to these retirement plans are based on profits and employees' savings with no other funding requirements. We halted making matching contributions to the U.S. plan from the second quarter of fiscal 2014 through the end of fiscal 2015. We may make additional contributions to the plans at our discretion.

Contributions to retirement plans are expensed as incurred. Retirement plan expense amounted to \$1.7 million, \$2.5 million and \$2.9 million in fiscal 2015, 2014 and 2013, respectively.

Revenue Recognition

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

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

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

Under our revenue recognition policy, revenue is recognized when all of the following criteria have been met:

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

We often enter into multiple contractual agreements with the same customer. Such agreements are reviewed to determine whether they should be evaluated as one arrangement. If an arrangement, other than a long-term contract, requires the delivery or performance of multiple deliverables or elements, we determine whether the individual elements represent "separate units of accounting". Based on the terms and conditions of our typical product sales arrangement, we believe that our products and services can be accounted for as separate units because our products and services have value to our customers on a stand-alone basis.

When a sale involves multiple deliverables, the entire fee from the arrangement is allocated to each unit of accounting based on the relative selling price of each deliverable. When applying the relative selling price method, the

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accounting principles establish a hierarchy to determine the selling price to be used for allocating revenue to deliverables as follows: (i) vendor-specific objective evidence ("VSOE"), (ii) third-party evidence of selling price ("TPE") and (iii) best estimate of the selling price ("ESP"). Generally, we are not able to determine TPE because our go-to-market strategy differs from that of our peers and our offerings contain a significant level of differentiation such that the comparable pricing of products with similar functionality cannot be obtained. When we are unable to establish a selling price using VSOE or TPE, we use ESP to allocate the arrangement fees to the deliverables. Revenue allocated to each element is then recognized when the other revenue recognition criteria are met for each element. There is generally no customer right of return in our sales agreements. The sequence for typical multiple element arrangements: we deliver our products, perform installation services and then provide post-contract support services. ESP is determined by considering a number of factors including our pricing policies, internal costs and gross margin objectives, method of distribution, information gathered from experience in customer negotiations, market research and information, recent technological trends, competitive landscape and geographies. The determination of ESP is approved by our management taking into consideration our pricing strategy. We regularly review VSOE, TPE and ESP and maintain internal controls over the establishment and updating of these estimates.

Revenues related to long-term contracts for customized network solutions are recognized using the percentage-of-completion method. In using the percentage-of-completion method, we generally apply the cost-to-cost method of accounting where sales and profits are recorded based on the ratio of costs incurred to estimated total costs at completion. Recognition of profit on long-term contracts requires estimates of the total contract value, the total cost at completion and the measurement of progress towards completion. Significant judgment is required when estimating total contract costs and progress to completion on the arrangements as well as whether a loss is expected to be incurred on the contract. Amounts representing contract change orders, claims or other items are included in sales only when they can be reliably estimated and realization is probable. When adjustments in contract value or estimated costs are determined, any changes from prior estimates are reflected in earnings in the current period. Anticipated losses on contracts or programs in progress are charged to earnings when identified. We establish billing terms at the time project deliverables and milestones are agreed. Revenues recognized in excess of the amounts invoiced to clients are classified as unbilled costs in our consolidated balance sheets.

We also consider whether contracts should be combined when specific aggregation criteria are met including when the contracts are in substance an arrangement to perform a single project with a customer; the contracts are negotiated as a package in the same economic environment with an overall profit objective; and the contracts require interrelated activities with common costs that cannot be separately identified with, or reasonably allocated to the elements, phases or units of output and the contracts are performed concurrently or in a continuous sequence under the same project management at the same location or at different locations in the same general vicinity.

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

Cost of Product Sales and Services

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

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

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

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

Research and Development Costs

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

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Share-Based Compensation

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

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

We generally recognize compensation cost for share-based payment awards on a straight-line basis over the requisite service period. For awards with a performance condition vesting feature, we recognize share-based compensation costs for the performance awards when achievement of the performance conditions is considered probable. Any previously recognized compensation cost would be reversed if the performance condition is not satisfied or if it is not probable that the performance conditions will be achieved.

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

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

Restructuring Charges

Our restructuring charges represent expenses incurred in connection with certain cost reduction programs that we have implemented, and consist of the costs of employee termination costs, lease and other contract termination charges and other costs of exiting activities or geographies. A liability for costs associated with an exit or disposal activity is measured at its fair value when the liability is incurred. Expenses for one-time termination benefits are recognized at the date we notify the employee, unless the employee must provide future service, in which case the benefits are expensed ratably over the future service period. We recognize severance benefits provided as part of an ongoing benefit arrangement when the payment is probable and the amounts can be reasonably estimated. Liabilities related to termination of an operating lease or contract are measured and recognized at fair value when the contract does not have any future economic benefit to the entity and the fair value of the liability is determined based on the present value of the remaining lease obligations, adjusted for the effects of deferred items recognized under the lease, and reduced by estimated sublease rentals that could be reasonably obtained for the property. The assumptions in determining such estimates include anticipated timing of sublease rentals and estimates of sublease rental receipts and related costs based on market conditions. We expense all other costs related to an exit or disposal activity as incurred.

Income Taxes and Related Uncertainties

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

We are required to compute our income taxes in each federal, state, and international jurisdiction in which we operate. This process requires that we estimate the current tax exposure as well as assess temporary differences between the accounting and tax treatment of assets and liabilities, including items such as accruals and allowances not currently deductible for tax purposes as well as operating loss and tax credit carry forwards. The income tax effects of the differences we identify are classified as current or long-term deferred tax assets and liabilities in our consolidated balance sheets. Our judgments, assumptions, and estimates relative to the current provision for income taxes take into account current tax laws, our interpretation of current tax laws, and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax laws or our interpretation of tax laws and the resolution of current and future tax audits could significantly impact the amounts provided for income taxes in our consolidated balance sheets and consolidated statements of operations. We must also assess the likelihood that deferred tax assets will be realized from future taxable income and, based on this assessment, establish a valuation allowance, if required. Our determination of our valuation allowance is based upon a number of assumptions, judgments, and estimates, including forecasted earnings, future taxable income, and the relative proportions of revenue and income before taxes in the various domestic and international jurisdictions in which we operate. To the extent we establish a valuation allowance or change the valuation allowance in a period, we reflect the change with a corresponding increase or decrease to our tax provision in our consolidated statements of operations.

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

Recently Issued Accounting Standards

On May 28, 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In July 2015, the FASB deferred the effective date of the new revenue standard from December 15, 2016 to December 15, 2017, with early adoption permitted before annual periods beginning after December 15, 2016. Accordingly, the new standard is effective for us beginning in our fiscal year 2019. The principles may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. We are currently evaluating the transition methods and the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures.

In July 2015, the FASB issued ASU No. 2015-11 (Subtopic 330) - Simplifying the Measurement of Inventory, which provides guidance to companies who account for inventory using either the first-in, first-out (“FIFO”) or average cost methods. The guidance states that companies should measure inventory at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. ASU 2015-11 is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. We are currently evaluating the effect of the adoption of the standard will have on our consolidated financial statements and related disclosures.

In August 2014, FASB issued a new standard on the disclosure of uncertainties about an entity’s ability to continue as a going concern. The guidance seeks to define management’s responsibility to decide whether there is substantial doubt about an organization’s ability to continue as a going concern and to provide related footnote disclosures. This standard is effective for annual reporting periods beginning after December 15, 2016, including interim periods during the annual period. Early application is permitted. We are currently evaluating the effect of the adoption of the standard will have on our consolidated financial statements and related disclosures.

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Note 2. Revision of Prior Years Consolidated Financial Statements

During the fourth quarter of fiscal year 2015, we identified and corrected errors that originated in prior periods and assessed the materiality of the errors using quantitative and qualitative factors. The errors misstated our accrued liability related to cost of services revenue. In prior years, we estimated certain direct costs related to service projects and recorded the related accrued liabilities. During the fourth quarter of fiscal 2015, we recomputed our accruals for service arrangements based on actual service work performed at the end of each reporting periods, including interim periods, and determined that the prior methodology was misstating our costs and accrued liabilities for the work performed on service projects.

Based on the analysis, we determined that the errors were immaterial to each of the prior reporting periods affected. However, we have concluded that correcting the errors in fiscal 2015 would materially misstate our fiscal 2015 consolidated financial statements. Accordingly, we have reflected the corrections of the prior period errors in the periods in which they originated and revised our consolidated balance sheet as of June 27, 2014 and our consolidated statements of operations, comprehensive loss, cash flows and equity for the years ended June 27, 2014 and June 28, 2013.

The total effects of the error corrections on our consolidated balance sheet as of June 27, 2014 and on our accumulated deficit as of June 29, 2012 were as follows:

	Previously Reported (In millions)	Correction	Revised
As of June 27, 2014:			
Other accrued expenses	$32.4	$(9.3)	$23.1
Total current liabilities	$130.9	$(9.3)	$121.6
Total liabilities	$150.6	$(9.3)	$141.3
Accumulated deficit	$(702.1)	$9.3	$(692.8)
Accumulated other comprehensive loss	$(2.9)	$—	$(2.9)
Total Aviat Networks stockholders’ equity	$102.6	$9.3	$111.9
Total equity	$102.6	$9.3	$111.9
As of June 29, 2012:			
Accumulated deficit	$(635.9)	$10.9	$(625.0)

The effects of the error corrections on our consolidated statements of operations and comprehensive loss for the years ended June 27, 2014 and June 28, 2013 were as follows:

	Year Ended June 27, 2014			Year Ended June 28, 2013		
	Previously Reported (In millions)	Correction	Revised	Previously Reported	Correction	Revised
Cost of services	$88.2	$(0.1)	$88.1	$91.6	$1.7	$93.3
Total cost of revenues	260.9	(0.1)	260.8	331.2	1.7	332.9
Gross margin	85.1	0.1	85.2	140.1	(1.7)	138.4
Operating income (loss)	(50.7)	0.1	(50.6)	1.7	(1.7)	—
Income (loss) from continuing operations before income taxes	(50.6)	0.1	(50.5)	2.4	(1.7)	0.7
Loss from continuing operations	(52.1)	0.1	(52.0)	(10.9)	(1.7)	(12.6)
Net loss	$(51.2)	$0.1	$(51.1)	$(15.0)	$(1.7)	$(16.7)
Comprehensive loss	$(50.8)	$0.1	$(50.7)	$(14.3)	$(1.7)	$(16.0)

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The effects of the error corrections on our consolidated statements of cash flows for the years ended June 27, 2014 and June 28, 2013 were as follows:

	Year Ended June 27, 2014			Year Ended June 28, 2013		
	Previously Reported	Correction	Revised	Previously Reported	Correction	Revised
	(In millions)					
Operating Activities						
Net loss	$(51.2)	$0.1	$(51.1)	$(15.0)	$(1.7)	$(16.7)
Changes in operating assets and liabilities:						
Accrued expenses	$(6.4)	$(0.1)	$(6.5)	$(3.2)	$1.7	$(1.5)
Net cash provided by (used in) operating activities	$(29.3)	$—	$(29.3)	$8.4	$—	$8.4

Note 3. Accumulated Other Comprehensive Loss

The changes in components of our accumulated other comprehensive loss during fiscal 2015, 2014 and 2013 were as follows:

	Foreign Currency Translation Adjustment (“CTA”)	Hedging Derivatives	Total Accumulated Other Comprehensive Income (Loss)
	(In millions)		
Balance as of June 29, 2012	$(4.0)	$—	$(4.0)
Other comprehensive income (loss) before reclassification	0.6	0.1	0.7
(Gain) loss reclassified out of accumulated other comprehensive loss	—	—	—
Balance as of June 28, 2013	(3.4)	0.1	(3.3)
Other comprehensive income (loss) before reclassification	0.5	(0.3)	0.2
(Gain) loss reclassified out of accumulated other comprehensive loss	—	0.2	0.2
Balance as of June 27, 2014	(2.9)	—	(2.9)
Other comprehensive income (loss) before reclassification	(5.6)	0.4	(5.2)
(Gain) loss reclassified out of accumulated other comprehensive loss	—	(0.4)	(0.4)
Balance as of July 3, 2015	$(8.5)	$—	$(8.5)

In fiscal 2015, 2014 and 2013, the realized gain or loss on cash flow hedges were reclassified out of accumulated other comprehensive loss into the following line item locations in our consolidated statements of operations:

	Fiscal Year 2015	2014	2013
	(In millions)		
Reclassification adjustment for gain (loss) on cash flow hedges included in:			
Revenues	$0.4	$(0.2)	$(0.1)
Cost of revenues	—	—	0.1
	$0.4	$(0.2)	$—

Beginning the fourth quarter of fiscal 2015, we no longer prepared contemporaneous documentation of hedges therefore the foreign exchange hedges no longer qualified as cash flow hedge. The changes in fair value related to the hedges were very insignificant for fiscal 2015 and were recorded in income or expense line item on our statements of operations to which the hedged transaction related.

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Note 4. Net Loss per Share of Common Stock

We compute net income (loss) per share attributable to Aviat Networks' common stockholders using the two-class method. Basic net income (loss) per share is computed using the weighted average number of common shares and participating securities outstanding during the period. Our unvested restricted shares contain rights to receive non-forfeitable dividends and therefore are considered to be participating securities and would be included in the calculations of net income per basic and diluted common share. However, we incurred a net loss in all periods presented. In accordance with ASC subtopic 260-10, undistributed losses are not allocated to unvested restricted shares due to the fact that the unvested restricted shares are not contractually obligated to share in the losses of the company.

As we incurred net loss for all periods in fiscal 2015, 2014 and 2013, the effect of outstanding stock options, restricted stocks and units and performance shares and units were anti-dilutive and therefore were excluded from the diluted net loss per share calculations. The following table summarizes the potential shares of common stock that were excluded from the diluted net loss per share calculations:

	Fiscal Year		
	2015	2014	2013
	(In millions)		
Stock options	7.4	7.5	6.2
Restricted stocks and units and performance shares and units	1.8	0.4	2.2
Total potential shares of common stock excluded	9.2	7.9	8.4

Note 5. Balance Sheet Components

Accounts Receivables, net

Our net accounts receivable is summarized below:

	July 3, 2015	June 27, 2014
	(In millions)	
Accounts receivable	$94.9	$84.6
Less: allowances for collection losses	(6.7)	(7.4)
	$88.2	$77.2

Inventories

Our inventories are summarized below:

	July 3, 2015	June 27, 2014
	(In millions)	
Finished products	$21.1	$25.3
Work in process	3.8	5.3
Raw materials and supplies	8.0	7.5
	$32.9	$38.1
Deferred cost of revenue included within finished goods	$5.6	$3.2
Consigned inventories included within raw materials	$6.8	$6.6

During fiscal 2015, 2014 and 2013, we recorded charges to adjust our inventory and customer service inventory to the lower of cost or market. These charges were primarily due to excess and obsolete inventory resulting from product transitioning and discontinuance or customer insolvency. Such charges incurred during fiscal 2015, 2014 and 2013 were classified in cost of product sales as follows:

	Fiscal Year 2015	2014	2013
	(In millions)		
Excess and obsolete inventory charges	$6.4	$4.0	$4.0
Customer service inventory write-downs	2.9	3.2	1.5
	$9.3	$7.2	$5.5
As % of revenue	2.8 %	2.1 %	1.2 %

During fiscal 2013, we also incurred $4.2 million charges to write down deferred cost of revenue that were unlikely to derive revenue due to disposition of our WiMAX business. The charges were included in discontinued operations in our consolidated statement of operations for fiscal 2013.

Property, Plant and Equipment, net

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

	July 3, 2015	June 27, 2014
	(In millions)	
Land	$0.7	$0.7
Buildings and leasehold improvements	9.7	10.3
Software	13.6	13.2
Machinery and equipment	45.2	47.1
	69.2	71.3
Less accumulated depreciation and amortization	(44.9)	(42.0)
	$24.3	$29.3

Depreciation and amortization expense related to property, plant and equipment, including amortization of internal use software , was $7.2 million, $7.1 million and $5.6 million, respectively, in fiscal 2015, 2014 and 2013.

Accrued Warranties

We accrue for the estimated cost to repair or replace products under warranty. Changes in our warranty liability, which is included as a component of other accrued expenses in the consolidated balance sheets, during fiscal 2015 and 2014 were as follows:

	Fiscal Year 2015	2014
	(In millions)	
Balance as of the beginning of the fiscal year	$3.8	$3.3
Warranty provision recorded during the period	5.6	5.2
Consumption during the period	(5.2)	(4.7)
Balance as of the end of the period	$4.2	$3.8

Note 6. Fair Value Measurements of Assets and Liabilities

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

- Level 1 — Observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2 — Observable market-based inputs or observable inputs that are corroborated by market data; and
- Level 3 — Unobservable inputs reflecting our own assumptions.

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The carrying amounts, estimated fair values and valuation input levels of our assets and liabilities that are measured at fair value on a recurring basis as of July 3, 2015 and June 27, 2014 were as follows:

	July 3, 2015		June 27, 2014		
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Valuation Inputs
	(In millions)				
Assets:					
Cash equivalents:					
Bank certificates of deposit	$0.6	$0.6	$3.5	$3.5	Level 2
Money market funds	$12.5	$12.5	$10.2	$10.2	Level 1

We classify items within Level 1 if quoted prices are available in active markets. Our Level 1 items include shares in money market funds purchased from two major financial institutions. As of July 3, 2015, these money market shares were valued at $1.00 net asset value per share by these financial institutions.

We classify items in Level 2 if the observable inputs to quoted market prices, benchmark yields, reported trades, broker/dealer quotes or alternative pricing sources are available with reasonable levels of price transparency. Our bank certificates of deposit and foreign exchange forward contracts are classified within Level 2. Foreign currency forward contracts are measured at fair value using observable foreign currency exchange rates. The assets and liabilities related to our foreign currency forward contracts were not material as of July 3, 2015 and June 27, 2014. We did not have any recurring assets whose fair value was measured using significant unobservable inputs.

Our policy is to recognize asset or liability transfers among Level 1, Level 2 and Level 3 as of the actual date of the events or change in circumstances that caused the transfer. During fiscal 2015, 2014 and 2013, we had no transfers between levels of the fair value hierarchy of our assets or liabilities measured at fair value.

Note 7. Credit Facility and Debt

On March 28, 2014, we entered into a Second Amended and Restated Loan Agreement with Silicon Valley Bank (as amended, the “SVB Credit Facility”). The SVB Credit Facility was amended on September 25, 2014, October 30, 2014 and December 2, 2014 to provide for extensions to the deadline for preparing and filing our fiscal 2014 financial statements with the Securities and Exchange Commission (the “SEC”). On February 27, 2015, the SVB Credit Facility was further amended to provide for certain amendments to the financial covenants, borrowing base and an early termination fee if the SVB Credit Facility is terminated prior to its expiration. This agreement amends and restates our existing First Amended and Restated Loan and Security Agreement, which was entered into on September 27, 2013 and amended providing for certain amendments to the maximum borrowing limit and financial covenants. As of July 3, 2015 and June 27, 2014, our outstanding debt balance under the SVB Credit Facility was $9.0 million and $6.0 million, respectively, and the weighted average interest rate was the same at 3.75%.

The SVB Credit Facility provides for a committed amount of up to $40.0 million, with a $30.0 million sublimit that can be borrowed by our Singapore subsidiary. Borrowings may be advanced under the SVB Credit Facility at the lesser of $40.0 million or a borrowing base equal to a specified percentage of the value of eligible accounts receivable and U.S. unbilled accounts of the Company, subject to certain reserves and eligibility criteria. The SVB Credit Facility can also be utilized to issue letters of credit. Principal, together with all accrued and unpaid interest, is due and payable on September 26, 2016. If the SVB Credit Facility is terminated by us in certain circumstances prior to its expiration, we are subject to an early termination fee equal to 1% of the revolving line. As of July 3, 2015, available credit under the SVB Credit Facility was $26.9 million reflecting the calculated borrowing base of $40.0 million less existing borrowings of $9.0 million and outstanding letters of credit of $4.1 million.

Borrowings under the SVB Credit Facility carry an interest rate computed at the daily prime rate as published in the Wall Street Journal plus a spread of 0.50% to 1.50%, with such spread determined based on our adjusted quick ratio. If a minimum adjusted quick ratio requirement is satisfied, LIBOR advances are offered at LIBOR plus a spread of 2.75%. Interest is due and payable in arrears monthly for prime rate loans and, for LIBOR rate loans, at the end of an interest period or at each three-month interval if the interest period is greater than three months. During fiscal 2015, the weighted average interest rate on our outstanding loan was 3.75%.

The SVB Credit Facility contains quarterly financial covenants including minimum adjusted quick ratio and minimum profitability (EBITDA) requirements. In the event our adjusted quick ratio falls below a certain level, cash received in our accounts with SVB may be directly applied to reduce outstanding obligations under the SVB Credit Facility. The SVB Credit Facility also imposes certain restrictions on our ability to dispose of assets, permit a change in control, merge or consolidate, make acquisitions, incur indebtedness, grant liens, make investments, make certain restricted payments and enter into transactions with affiliates under certain circumstances. Certain of our assets, including accounts receivable, inventory, and equipment, are pledged as collateral for the SVB Credit Facility. Upon an event of default, outstanding obligations would be immediately due and payable. Under certain circumstances, a default interest rate will apply on all obligations during the existence of an event of default at a per annum rate of interest equal to 2.00% above the applicable interest rate.

As of July 3, 2015 and June 27, 2014, we were in compliance with the quarterly financial covenants contained in the SVB Credit Facility. However, as a result of uncertainty on our ability to meet the financial covenants in future and the fact that the SVB Credit Facility contains subjective acceleration clauses that could be triggered by the lender, the $9.0 million borrowing was classified as a current liability as of July 3, 2015 and June 27, 2014.

During the fourth quarter of fiscal 2015, we obtained an uncommitted short-term line of credit of $0.4 million from a bank in New Zealand to support the operations of our subsidiary located there. This line of credit provides for $0.3 million in short-term advances at various interest rates, all of which was available as of July 3, 2015. The line of credit also provides for the issuance of standby letters of credit and company credit cards, of which $0.1 million was outstanding as of July 3, 2015. This facility may be terminated upon notice, is reviewed annually for renewal or modification, and is supported by a corporate guarantee.

Note 8. Restructuring Activities

Fiscal 2015-2016 Plan

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

The following table summarizes our costs incurred during fiscal 2015, estimated additional costs to be incurred and estimated total costs expected to be incurred as of July 3, 2015 under the Fiscal 2015-2016 Plan:

	Costs Incurred During Fiscal Year Ended July 3, 2015	Cumulative Costs Incurred Through July 3, 2015	Estimated Additional Costs to be Incurred	Total Restructuring Costs Expected to be Incurred
	(in millions)			
Severance and benefits	$2.8	$ 2.8	$1.4	$4.2
Facilities and other	0.6	0.6	0.2	0.8
Total for Fiscal 2015-2016 Plan	$3.4	$ 3.4	$1.6	$5.0

During fiscal 2015, we recorded $2.8 million in severance and related benefits costs and $0.6 million for a Slovenia government fund penalty charge related to the workforce reduction. We intend to substantially complete the remaining restructuring activities under the Fiscal 2015-2016 Plan by the first half of fiscal 2016.

Fiscal 2014-2015 Plan

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

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The following table summarizes our costs incurred during fiscal 2014, estimated additional costs to be incurred and estimated total costs expected to be incurred as of July 3, 2015 under the Fiscal 2014-2015 Plan:

	Costs Incurred During Fiscal Year Ended		Cumulative Costs Incurred Through	Estimated Additional Costs	Total Restructuring Costs Expected
	July 3, 2015	June 27, 2014	July 3, 2015	to be Incurred	to be Incurred
	(in millions)				
Severance and benefits	$—	$5.4	$ 5.4	$—	$5.4
Facilities and other	1.4	0.4	1.8	0.3	2.1
Total for Fiscal 2014-2015 Plan	$1.4	$5.8	$ 7.2	$0.3	$7.5

We have substantially completed the restructuring activities under the Fiscal 2014-2015 Plan as of July 3, 2015. The remaining additional costs to be incurred under the Fiscal 2014-2015 Plan primarily included our facility costs related to the cease-to-use space at our Santa Clara, California headquarters through the remaining lease term.

Fiscal 2013-2014 Plan

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

The following table summarizes our costs incurred during fiscal 2014 and 2013, estimated additional costs to be incurred and estimated total costs expected to be incurred as of July 3, 2015 under the Fiscal 2013-2014 Plan:

	Costs Incurred During Fiscal Year Ended			Cumulative Costs Incurred Through	Estimated Additional Costs	Total Restructuring Costs
	July 3, 2015	June 27, 2014	June 28, 2013	July 3, 2015	to be Incurred	Expected to be Incurred
	(in millions)					
Severance and benefits	$—	$1.0	$1.8	$ 2.8	$—	$2.8
Facilities and other	0.1	4.3	—	4.4	0.6	5.0
Total for Fiscal 2013-2014 Plan	$0.1	$5.3	$1.8	$ 7.2	$0.6	$7.8

We have substantially completed the restructuring activities under the Fiscal 2013-2014 Plan as of June 27, 2014. The remaining additional costs to be incurred under the Fiscal 2013-2014 Plan primarily included our facility costs related to the cease-to-use space at our Santa Clara, California headquarters through the remaining lease term.

Fiscal 2011 Plan

During the first quarter of fiscal 2011, we initiated a restructuring plan (the "Fiscal 2011 Plan") to reduce our operational costs. The Fiscal 2011 Plan was intended to bring our cost structure in line with the changing dynamics of the worldwide microwave radio and telecommunication markets, primarily in North America, Europe and Asia. Activities under the Fiscal 2011 Plan included reductions in force to reduce our operating expenses and the downsizing or closure of our Morrisville, North Carolina, Santa Clara, California, Montreal, Canada and certain international field offices.

The following table summarizes our costs incurred during fiscal 2013 and 2012 and total costs incurred under the Fiscal 2011 Plan:

	Costs Incurred During Fiscal Year Ended	Cumulative Costs Incurred Through
	June 28, 2013	June 28, 2013
Severance and benefits	$1.2	$12.6
Facilities and other	0.1	3.7
Total for Fiscal 2011 Plan	$1.3	$16.3

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The initiatives under the Fiscal 2011 Plan were completed in fiscal 2013.

Restructuring Liabilities

Our restructuring liabilities consisted primarily of accrued severance and benefits relating to one-time and ongoing benefit arrangements, as well as facility exit cost reserves primarily related to our office leases in California. The fair value of the liabilities related to operating lease terminations was determined based on the present value of the remaining lease obligations, adjusted for the effects of deferred items recognized under the lease, and reduced by estimated sublease rentals that could be reasonably obtained for the property. The assumptions in determining such estimates included anticipated timing of sublease rentals and estimates of sublease rental receipts and related costs based on market conditions. To the extent there are material differences between these estimates or assumptions and actual results, our restructuring liabilities and restructuring charges would be significantly affected.

The information in the following table summarizes our restructuring activities during fiscal 2015, 2014 and 2013 and restructuring liability as of July 3, 2015:

	Severance and Benefits	Facilities and Other	Total
	(In millions)		
Restructuring liability as of June 29, 2012	$1.0	$1.2	$2.2
Provision related to Fiscal 2013-2014 Plan	1.8	—	1.8
Provision related to Fiscal 2011 Plan	1.2	0.1	1.3
Cash payments	(2.1)	(0.5)	(2.6)
Restructuring liability as of June 28, 2013	1.9	0.8	2.7
Provision related to Fiscal 2014-2015 Plan	5.4	0.4	5.8
Provision related to Fiscal 2013-2014 Plan	1.0	4.3	5.3
Cash payments	(6.8)	(1.8)	(8.6)
Restructuring liability as of June 27, 2014	1.5	3.7	5.2
Provision related to Fiscal 2015-2016 Plan	2.8	0.6	3.4
Provision related to Fiscal 2014-2015 Plan	—	1.4	1.4
Provision related to Fiscal 2013-2014 Plan	—	0.1	0.1
Cash payments	(3.5)	(2.1)	(5.6)
Restructuring liability as of July 3, 2015	$0.8	$3.7	$4.5
Current portion of restructuring liability as of July 3, 2015			$3.9
Long-term portion of restructuring liability (included in other long-term liabilities) as of July 3, 2015			$0.6

Note 9. Stockholders' Equity

Stock Incentive Programs

2007 Stock Equity Plan

As of July 3, 2015, we had one stock incentive plan for our employees and nonemployee directors, the 2007 Stock Equity Plan, as amended and restated effective November 17, 2011 (the "2007 Stock Plan"). The 2007 Stock Plan provides for accelerated vesting of certain share-based awards if there is a change in control of the Company. The 2007 Stock Plan also provides for the issuance of share-based awards in the form of stock options, stock appreciation rights, restricted stock awards and units, and performance share awards and units. We have various incentive programs under the 2007 Stock Plan, including annual and long-term incentive programs ("AIP" or "LTIP"), a global equity program ("GEP") and product development incentive programs ("PDIP").

Under the 2007 Stock Plan, option exercise prices are equal to the fair market value on the date the options are granted using our closing stock price. Options may be exercised for a period set at the time of grant, which is generally seven years after the date of grant. Options generally vest in installments on one of four vesting schedules: (1) 25% one year from the grant date and 1/48 each month thereafter over the remaining three-year period; (2) 50% one year from the grant date and 25% each year thereafter over the remaining two-year period; (3) one-third annually over a three-year

period from the date of grant; or (4) 25% annually over a four-year period from date of grant. Stock options are issued to directors annually and generally vest on the day before the annual stockholders' meeting.
Restricted stock is not transferable until vested and the restrictions lapse upon the achievement of continued employment or service over a specified time period. Restricted stock issued to employees generally vests on one of three vesting schedules: (1) one-third annually over a three-year period from the date of grant (2) 25% annually over a four-year period from date of grant; or (3) in full three years after the grant date. Restricted stock issued to directors annually and generally vests on the day before the annual stockholders' meeting.
Vesting of performance shares under our AIP, LTIP or GEP is subject to financial performance criteria including revenue, operating income, or cash flow targets for the periods as defined in the programs and continued employment through the end of the applicable period. Performance shares under our PDIPs are issued to employees related to certain new product development projects and vest upon achievement of the product development milestones as defined in the programs.
Upon the exercise of stock options, vesting of restricted stock awards and units, or vesting of performance share awards and units, we issue new shares of our common stock to our employees. All awards that are canceled prior to vesting or expire unexercised are returned to the approved pool of reserved shares under the 2007 Stock Plan and made available for future grants. Shares of our common stock remaining available for future issuance under the 2007 Stock Plan totaled 1,351,936 as of July 3, 2015.
Employee Stock Purchase Plan
Under the Employee Stock Purchase Plan ("ESPP"), employees are entitled to purchase shares of our common stock at a 5% discount from the fair market value at the end of a three-month purchase period. As of July 3, 2015, 755,636 shares were reserved for future issuances under the ESPP. We issued 10,621 shares under the ESPP during fiscal 2015.
Share-Based Compensation
Total compensation expense for share-based awards included in our consolidated statements of operations for fiscal 2015, 2014 and 2013 was as follows:

	Fiscal Year		
(In millions)	2015	2014	2013
By Expense Category:			
Cost of product sales and services	$0.2	$0.1	$0.5
Research and development	0.1	0.3	1.0
Selling and administrative	1.9	3.0	4.9
Total share-based compensation expense	$2.2	$3.4	$6.4
By Types of Award:			
Options	$1.5	$1.9	$2.5
Restricted stock awards and units	0.7	0.7	1.5
Performance shares	—	0.8	2.4
Total share-based compensation expense	$2.2	$3.4	$6.4

Compensation expense for an award with only service conditions is recognized over the requisite service period, which is usually the vesting period of the award. For an award that have a graded vesting schedule, compensation expense is recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards. The amount of compensation cost recognized at any date must at least equal the portion of the grant-date value of the award that is vested at that date. As of July 3, 2015, there was $2.1 million of total unrecognized compensation expense related to nonvested share-based awards units granted under our 2007 Stock Plan. This expense is expected to be recognized over a weighted-average period of 1.9 years.

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Stock Options

A summary of the combined stock option activity under our equity plans during fiscal 2015 is as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value ($ in millions)
Options outstanding as of June 27, 2014	7,548,999	$3.31	4.53	$0.0
Granted	1,378,501	$1.27		
Exercised	—			
Forfeited	(1,552,689)	$3.50		
Expired	(840)	$16.27		
Options outstanding as of July 3, 2015	7,373,971	$2.88	4.05	$0.0
Options exercisable as of July 3, 2015	4,848,127	$3.40	3.14	$0.0
Options vested and expected to vest as of July 3, 2015	7,129,857	$2.92	3.99	$0.0

The aggregate intrinsic value represents the total pre-tax intrinsic value or the aggregate difference between the closing price of our common stock on July 3, 2015 of $1.32 and the exercise price for in-the-money options that would have been received by the optionees if all options had been exercised on July 3, 2015. The options expected to vest are the result of applying the pre-vesting forfeiture rate assumptions to total outstanding options.

Additional information related to our stock options is summarized below:

	Fiscal Year		
(In millions, except per share amounts)	2015	2014	2013
Weighted average grant date fair value per share granted	$0.55	$1.06	$1.30
Intrinsic value of options exercised	$—	$—	$—
Fair value of options vested	$2.0	$2.2	$3.0

The fair value of each option grant under our 2007 Stock Plan was estimated using the Black-Scholes option pricing model on the date of grant. A summary of the significant weighted average assumptions we used in the Black-Scholes valuation model is as follows:

	Fiscal Year		
	2015	2014	2013
Expected dividends	— %	— %	— %
Expected volatility	53.9 %	54.1 %	64.9 %
Risk-free interest rate	1.13 %	1.26 %	0.49 %
Expected term (years)	4.25	4.43	4.33

Expected volatility is based on implied volatility for the expected term of the options from our stock price. The expected term of the options is calculated using the simplified method described in the SEC's Staff Accounting Bulletin Topic 14.D.2. We use the simplified method because we do not have sufficient stock option exercise data and the types of employees that receive share option grants have been significantly changed due to the implementation of our GEP in fiscal 2012, under which we granted share-based awards to employees who are not eligible for the long-term incentive programs. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The expected dividend yield is zero because we have not historically paid dividends on our common stock and have no intention to pay dividends in the foreseeable future. The following summarizes all of our stock options outstanding and exercisable as of July 3, 2015:

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Actual Range of Exercise Prices			Options Outstanding			Options Exercisable	
			Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$1.23	—	$1.30	1,373,501	6.98	$1.27	162,591	$1.23
$1.72	—	$2.19	1,562,340	3.68	$2.11	1,158,664	$2.08
$2.28	—	$2.56	1,447,833	3.73	$2.41	1,236,988	$2.40
$2.60	—	$2.71	1,404,994	4.40	$2.63	707,162	$2.65
$2.97	—	$6.11	1,196,133	1.97	$5.04	1,193,552	$5.04
$6.44	—	$24.60	389,170	1.55	$7.75	389,170	$7.75
$1.23	—	$24.60	7,373,971	4.05	$2.88	4,848,127	$3.40

Restricted Stock

A summary of the status of our restricted stock as of July 3, 2015 and changes during fiscal 2015 were as follows:

	Shares	Weighted Average Grant Date Fair Value
Restricted stock outstanding as of June 27, 2014	314,658	$2.80
Granted	1,069,153	$1.17
Vested and released	(384,810)	$2.17
Forfeited	(7,162)	$2.34
Restricted stock outstanding as of July 3, 2015	991,839	$1.30

The fair value of each restricted stock grant is based on the closing price of our common stock on the date of grant. The total fair value of restricted stock that vested during fiscal 2015, 2014 and 2013 was $0.6 million, $0.7 million and $1.9 million, respectively.

Performance Share Awards

A summary of the status of our performance shares as of July 3, 2015 and changes during fiscal 2015 were as follows:

	Shares	Weighted Average Grant Date Fair Value
Performance shares outstanding as of June 27, 2014	66,667	$2.59
Granted	803,210	$1.25
Vested and released	(47,820)	$2.59
Forfeited due to terminations	(18,847)	$2.59
Performance shares outstanding as of July 3, 2015	803,210	$1.25

The fair value of each performance share is based on the closing price of our common stock on the date of grant and is amortized over its vesting period. We begin to recognize share-based compensation costs for the performance shares when achievement of the performance conditions is considered probable. Any previously recognized compensation cost would be reversed if the performance condition is not satisfied or if it is not probable that the performance conditions will be achieved.

The total fair value of performance share awards that vested during fiscal 2015, 2014 and 2013 was $0.1 million, $3.0 million and $0.9 million, respectively.

Note 10. Segment and Geographic Information

We operate in one reportable business segment: the design, manufacturing and sale of a range of wireless networking products, solutions and services. We conduct business globally and our sales and support activities are managed on a geographic basis. Our Chief Executive Officer is the Chief Operating Decision Maker (the “CODM”). Our CODM manages our business primarily by function globally and reviews financial information on a consolidated basis, accompanied by disaggregated information about revenues by geographic region, for purposes of allocating resources and evaluating financial performance. The profitability of our geographic region is not a determining factor in allocating resources and the CODM does not evaluate profitability below the level of the consolidated company.

We report revenue by region and country based on the location where our customers accept delivery of our products and services. Revenue by region for 2015, 2014 and 2013 were as follows:

	Fiscal Year		
(In millions)	2015	2014	2013
North America	$153.2	$142.0	$180.5
Africa and Middle East	97.1	108.9	182.2
Europe and Russia	36.0	36.0	48.0
Latin America and Asia Pacific	49.6	59.1	60.6
Total Revenue	$335.9	$346.0	$471.3

Revenue by country comprising more than 5% of our total revenue for fiscal 2015, 2014 and 2013 were as follows:

(In millions, except %)	Revenue	% of Total Revenue	
Fiscal 2015:			
United States	$151.1	45.0	%
Nigeria	$36.5	10.9	%
Fiscal 2014:			
United States	$139.2	40.2	%
Nigeria	$52.2	15.1	%
Fiscal 2013:			
United States	$177.0	37.6	%
Nigeria	$92.7	19.7	%

Our long-lived assets, consisting primarily of property, plant and equipment, by geographic areas based on the physical location of the assets as of July 3, 2015 and June 27, 2014 were as follows:

(In millions)	July 3, 2015	June 27, 2014
United States	$17.6	$21.5
United Kingdom	3.1	3.3
Other countries	3.6	4.5
Total	$24.3	$29.3

Note 11. Divestiture

In March 2011, our board of directors approved a plan for the sale of our WiMAX business. On September 2, 2011, we sold to EION Networks, Inc. (“EION”) our WiMAX business and related assets consisting of certain technology, inventory and equipment. As consideration for the sale of assets, EION agreed to pay us $0.4 million in cash and up to $2.8 million in additional cash payments contingent upon specific factors related to future WiMAX business performance. We had received $0.1 million in total of such contingent payments through June 27, 2014 and do not expect any further payments from EION. In addition, EION is entitled to receive cash payments up to $2.0 million upon collection of certain WiMAX accounts receivable. As of September 26, 2014, we made $1.6 million in total of such payments to EION and wrote-off the remaining $0.4 million balance resulting from the write-downs of the corresponding WiMAX accounts receivable. As of July 3, 2015 and June 27, 2014, our accrued liabilities related to the disposition of WiMAX business were zero and $0.1 million, respectively.

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In the third quarter of fiscal 2011, we began accounting for the WiMAX business as a discontinued operation and, therefore, the operating results of our WiMAX business were included in discontinued operations in our consolidated financial statements for all years presented. The loss incurred in fiscal 2013 was primarily due to write-down of certain WiMAX deferred cost of sales that were not transferred to EION and certain expenses we incurred to support a remaining customer obligation. The income recognized in fiscal 2015 and 2014 was primarily due to the recovery of certain WiMAX customer receivables that was previously written down.

Summary results of operations for the WiMAX business were as follows:

	Fiscal Year		
	2015	2014	2013
	(In millions)		
Revenues	$—	$—	$0.1
Income (loss) from operations of WiMAX	—	1.2	(4.3)
Gain on disposal	0.1	—	0.4
Income taxes	—	(0.3)	(0.2)
Income (loss) from discontinued operations, net of tax	$0.1	$0.9	$(4.1)

Note 12. Income Taxes

Income (loss) from continuing operations before provision for income taxes during fiscal year 2015, 2014 and 2013 is as follows:

	Fiscal Year		
	2015	2014	2013
	(In millions)		
United States	$(18.6)	$(26.7)	$(5.2)
Foreign	(7.4)	(23.8)	5.9
Total Income (loss) from continuing operations before income taxes	$(26.0)	$(50.5)	$0.7

Provision for income taxes from continuing operations for fiscal year 2015, 2014 and 2013 were summarized as follows:

	Fiscal Year		
	2015	2014	2013
	(In millions)		
Current provision (benefit):			
United States	$—	$(0.1)	$(0.1)
Foreign	3.4	1.9	13.6
State and local	—	—	—
	3.4	1.8	13.5
Deferred provision (benefit):			
United States	(0.2)	—	—
Foreign	(4.5)	(0.3)	(0.2)
State and local	—	—	—
	(4.7)	(0.3)	(0.2)
Total provision (benefit) for income taxes from continuing operations	$(1.3)	$1.5	$13.3

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The following table summarizes the significant differences between the U.S. Federal statutory tax rate and our effective tax rate from continuing operations for fiscal year 2015, 2014 and 2013:

	Fiscal Year		
	2015	2014	2013
Statutory U.S. federal tax rate	(35.0)%	(35.0)%	35.0 %
Valuation allowances	(15.1)%	30.0 %	228.6 %
Foreign non-deductible expenses	(0.3)%	0.9 %	37.1 %
State and local taxes, net of U.S. federal tax benefit	(1.9)%	(1.3)%	(5.7)%
Foreign income taxed at rates less than the U.S. statutory rate	38.5 %	8.5 %	(132.7)%
Foreign branch income/withholding taxes	5.2 %	2.0 %	92.9 %
Change in uncertain tax positions	2.4 %	(1.7)%	1,660.0 %
Other	1.2 %	(0.4)%	(15.2)%
Effective tax rate	(5.0)%	3.0 %	1,900.0 %

The income tax benefit from continuing operations for fiscal year 2015 was $1.3 million. The difference between our income tax benefit from continuing operations and income tax expense at the statutory rate of 35% on our pre-tax loss of $26.0 million was primarily attributable to losses in tax jurisdictions in which we cannot recognize a tax benefit and increases in foreign withholding taxes, offset with the $4.4 million tax benefit from the release of valuation allowance in jurisdictions where management believes the utilization of deferred tax assets was more likely than not based on the weighting of positive and negative evidence.

The income tax expense from continuing operations for fiscal year 2014 was $1.5 million. The difference between our income tax expense from continuing operations and income tax expense at the statutory rate of 35% on our pre-tax loss of $50.5 million was primarily attributable to losses in tax jurisdictions in which we cannot recognize a tax benefit and increases in foreign withholding taxes.

The income tax expense from continuing operations for fiscal year 2013 was $13.3 million. The difference between our income tax expense from continuing operations and income tax benefit at the statutory rate of 35% on our pre-tax income of $0.7 million was primarily attributable to a $11.7 million increase in our reserve for uncertain tax positions, losses in tax jurisdictions in which we cannot recognize a tax benefit, and increases in foreign withholding taxes. The increase in our unrecognized tax benefits was the result of additional information obtained during the recent tax examinations in certain countries during fiscal 2013.

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

	July 3, 2015		June 27, 2014	
	Current	Non-Current	Current	Non-Current
	(In millions)			
Deferred tax assets:				
Inventory	$7.7	$—	$12.0	$—
Accruals and reserves	4.7	0.1	4.7	0.1
Bad debts	1.4	—	2.4	—
Depreciation	—	—	—	0.2
Amortization	—	2.6	—	4.1
Stock compensation	—	3.3	—	4.0
Deferred revenue	—	1.9	—	3.9
Unrealized exchange gain/loss	3.6	—	3.2	—
Other	1.1	5.0	1.1	4.2
Tax credit carryforwards	—	17.9	—	21.5
Tax loss carryforwards	—	154.5	—	133.2
Total deferred tax assets before valuation allowance	18.5	185.3	23.4	171.2
Valuation allowance	(17.0)	(177.7)	(21.9)	(167.8)
Total deferred tax assets	1.5	7.6	1.5	3.4
Deferred tax liabilities:				
Branch undistributed earnings reserve	0.1	1.2	0.1	1.4
Depreciation	—	3.5	—	3.8
Other accruals	0.1	—	0.1	—
Total deferred tax liabilities	0.2	4.7	0.2	5.2
Net deferred tax assets (liabilities)	$1.3	$2.9	$1.3	$(1.8)

Our valuation allowance related to deferred income taxes, as reflected in our consolidated balance sheet, was $194.7 million as of July 3, 2015 and $189.7 million as of June 27, 2014. The increase in valuation allowance in fiscal 2015 was primarily due to the losses in tax jurisdictions in which we cannot recognize tax benefits, partially offset by the $4.4 million valuation allowance released in certain foreign jurisdictions.

Tax loss and credit carryforwards as of July 3, 2015 have expiration dates ranging between one year and no expiration in certain instances. The amount of U.S. federal tax loss carryforwards as of July 3, 2015 and June 27, 2014 were $328.7 million and $291.6 million, respectively, and begin to expire in fiscal 2023. Credit carryforwards as of July 3, 2015 were $21.3 million, and certain credits will begin to expire in fiscal 2017. The amount of foreign tax loss carryforwards as of July 3, 2015 was $129.0 million.

United States income taxes have not been provided on basis differences in foreign subsidiaries of $5.4 million and $5.7 million, respectively, as of July 3, 2015 and June 27, 2014, because of our intention to reinvest these earnings indefinitely. The residual U.S. tax liability, if such amounts were remitted, would be nominal.

We entered into a tax sharing agreement with Harris effective on January 26, 2007, the date of the acquisition of Stratex. The tax sharing agreement addresses, among other things, the settlement process associated with pre-merger tax liabilities and tax attributes that are attributable to the Microwave Communication Division when it was a division of Harris. There was no settlement payments recorded in fiscal year 2015, 2014 or 2013.

As of July 3, 2015 and June 27, 2014, we had unrecognized tax benefits of $26.9 million and $28.2 million, respectively, for various federal, foreign, and state income tax matters. Unrecognized tax benefits decreased by $1.3 million. Our total unrecognized tax benefits that, if recognized, would affect our effective tax rate were $1.4 million and $1.0 million, respectively, as of July 3, 2015 and June 27, 2014. These unrecognized tax benefits are presented on the accompanying consolidated balance sheet net of the tax effects of net operating loss carryforwards.

We account for interest and penalties related to unrecognized tax benefits as part of our provision for income taxes. We accrued such interest of zero as of July 3, 2015 and $0.1 million as of June 27, 2014. No penalties have been accrued.

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Our unrecognized tax benefit activity for fiscal 2015, 2014 and 2013 is as follows:

	Amount (In millions)
Unrecognized tax benefit as of June 29, 2012	$13.4
Additions for tax positions in current periods	0.7
Additions for tax positions in prior periods	15.0
Decreases for tax positions in prior periods	(0.4)
Unrecognized tax benefit as of June 28, 2013	28.7
Additions for tax positions in current periods	—
Additions for tax positions in prior periods	8.7
Decreases for tax positions in prior periods	(12.1)
Increases related to change of foreign exchange rate	2.9
Unrecognized tax benefit as of June 27, 2014	28.2
Additions for tax positions in prior periods	0.6
Decreases for tax positions in prior periods	(0.2)
Decreases related to change of foreign exchange rate	(1.7)
Unrecognized tax benefit as of July 3, 2015	$26.9

During the fiscal year 2014, we received an assessment letter from the Inland Revenue Authority of Singapore (“Singapore”) related to deductions claimed in prior years and made a prepayment of $13.2 million related to tax years 2007 through 2010, reflecting all of the taxes incrementally assessed by Singapore. We continue to defend our tax positions in Singapore and we continue to pursue remedies to object to this assessment. There was no settlement in fiscal year 2015. During the next twelve months, it is reasonably possible that an ultimate settlement will be achieved which would result in our unrecognized tax benefits changing by up to $14.0 million. We believe that we have adequately provided for any reasonably foreseeable outcomes related to our tax audits.

We have a number of years with open tax audits which vary from jurisdiction to jurisdiction. Our major tax jurisdictions include the U.S., Singapore and Nigeria. The earliest years still open and subject to potential audits for these jurisdictions are as follows: U.S. —2003; Singapore — 2006; and Nigeria — 2011.

Note 13. Commitments and Contingencies

Operating Lease Commitments

We lease office and manufacturing facilities under non-cancelable operating leases expiring at various dates through April 2020. We lease approximately 129,000 square feet of office space in Santa Clara, California as our corporate headquarters. Beginning in the first quarter of fiscal 2015, approximately three-fourths of our Santa Clara headquarters building was vacated and made available for sublease. As of July 3, 2015, future minimum lease payments for our headquarters total $12.8 million through April 2020.

As of July 3, 2015, our future minimum lease payments under all non-cancelable operating leases with an initial lease term in excess of one year were as follows:

Fiscal Years	Amount (In millions)
2016	$5.4
2017	3.2
2018	2.7
2019	2.8
2020	2.3
Total	$16.4

These commitments do not contain any material rent escalations, rent holidays, contingent rent, rent concessions, leasehold improvement incentives or unusual provisions or conditions. We sublease a portion of our facilities to third parties and total minimum rentals to be received in the future under our non-cancelable subleases were $0.1 million as of July 3, 2015.

Rental expense for operating leases, including rentals on a month-to-month basis was $6.5 million, $7.7 million and $8.5 million in fiscal 2015, 2014 and 2013, respectively.

Purchase Orders and Other Commitments

From time to time in the normal course of business, we may enter into purchasing agreements with our suppliers that require us to accept delivery of, and remit full payment for, finished products that we have ordered, finished products that we requested be held as safety stock, and work in process started on our behalf in the event we cancel or terminate the purchasing agreement. Because these agreements do not specify fixed or minimum quantities, do not specify minimum or variable price provisions, and do not specify the approximate timing of the transaction, and we have no present intention to cancel or terminate any of these agreements, we currently do not believe that we have any future liability under these agreements. As of July 3, 2015, we had outstanding purchase obligations with our suppliers or contract manufacturers of $38.2 million.

Financial Guarantees and Commercial Commitments

Guarantees issued by banks, insurance companies or other financial institutions are contingent commitments issued to guarantee our performance under borrowing arrangements, such as bank overdraft facilities, tax and customs obligations and similar transactions or to ensure our performance under customer or vendor contracts. The terms of the guarantees are generally equal to the remaining term of the related debt or other obligations and are generally limited to two years or less. As of July 3, 2015, we had no guarantees applicable to our debt arrangements.

We have entered into commercial commitments in the normal course of business including surety bonds, standby letters of credit agreements and other arrangements with financial institutions primarily relating to the guarantee of future performance on certain contracts to provide products and services to customers. As of July 3, 2015, we had commercial commitments of $33.1 million outstanding that were not recorded in our consolidated balance sheets. We do not believe, based on historical experience and information currently available, that it is probable that any amounts will be required to be paid on the performance guarantees.

Indemnifications

Under the terms of substantially all of our license agreements, we have agreed to defend and pay any final judgment against our customers arising from claims against such customers that our software products infringe the intellectual property rights of a third party. As of July 3, 2015, we have not received any notice that any customer is subject to an infringement claim arising from the use of our software products; we have not received any request to defend any customers from infringement claims arising from the use of our software products; and we have not paid any final judgment on behalf of any customer related to an infringement claim arising from the use of our software products. Because the outcome of infringement disputes is related to the specific facts of each case, and given the lack of previous or current indemnification claims, we cannot estimate the maximum amount of potential future payments, if any, related to our indemnification provisions. As of July 3, 2015, we had not recorded any liabilities related to these indemnifications.

Legal Proceedings

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

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

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Contingent Liabilities

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

Our Singapore subsidiary is in the process of evaluating its historical compliance with certain export regulations in Singapore. Depending on the results of this evaluation, we may take additional actions to ensure our compliance with these regulations in the future. As part of these additional actions, we could elect to make certain voluntary disclosures, which may, in certain circumstances, result in the imposition of various fines and penalties. Any fines and penalties will be based on the specific facts and findings of our evaluation, as well as negotiation with Singapore authorities. At this time, we cannot estimate the amount or range of any fines and penalties, if any should be imposed.

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

Note 14. Quarterly Financial Data (Unaudited)

The following financial information reflects all normal recurring adjustments, which are, in the opinion of management, necessary for a fair statement of the results of the interim periods. Our fiscal quarters end on the Friday nearest the end of the calendar quarter. The third quarter of fiscal year 2015 included 14 weeks and other quarters each included 13 weeks. Summarized quarterly data for fiscal 2015 and 2014 were as follows:

	Q1 Ended 9/26/2014[(1)]	Q2 Ended 12/26/2014[(1)(2)]	Q3 Ended 4/3/2015[(1)]	Q4 Ended 7/3/2015
	(In millions, except per share amounts)			
Fiscal 2015				
Revenue	$82.4	$ 90.9	$74.8	$87.8
Gross margin	$22.0	$ 24.0	$16.0	$18.7
Operating income (loss)	$(5.4)	$ (3.7)	$(11.7)	$(5.2)
Net income (loss)	$(5.5)	$ (4.5)	$(13.1)	$(1.5)
Net income (loss) attributable to Aviat Networks	$(5.5)	$ (4.5)	$(13.1)	$(1.6)
Per share data:				
Basic net income (loss) per common share	$(0.09)	$ (0.07)	$(0.21)	$(0.03)
Diluted net income (loss) per common share	$(0.09)	$ (0.07)	$(0.21)	$(0.03)

	Q1 Ended 9/27/2013[(1)]	Q2 Ended 12/27/2013[(1)]	Q3 Ended 3/28/2014[(1)]	Q4 Ended 6/27/2014[(1)]
	(In millions, except per share amounts)			
Fiscal 2014				
Revenue	$93.4	$ 85.8	$81.4	$85.4
Gross margin	$23.2	$ 21.5	$21.1	$19.4
Operating loss	$(13.3)	$ (10.5)	$(14.6)	$(12.2)
Net loss	$(13.5)	$ (9.7)	$(14.6)	$(13.3)
Net loss attributable to Aviat Networks	$(13.5)	$ (9.7)	$(14.6)	$(13.3)
Per share data:				
Basic and diluted net loss per common share	$(0.22)	$ (0.16)	$(0.24)	$(0.21)

(1) Revised to include the effects of the error corrections to costs of service revenue for the interim periods set forth in Note 2.

(2) Reflects revised amounts for all lines presented, resulting from adjustments to second quarter's revenue (a decrease of $1.6 million) and cost of sales (a decrease of $0.9 million) during the third quarter of fiscal 2015.

The effects of the error corrections set forth in Note 2 and adjustments to second quarter's revenue and cost of revenue on the unaudited consolidated statements of operations for the interim periods within the years ended July 3, 2015 and June 27, 2014 were as follows:

	Previously Reported				Correction				Revised			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	(In millions)											
Fiscal 2015 (Unaudited)												
Revenue	$82.4	$92.5	$74.8	N/A	$—	$(1.6)	$—	N/A	$82.4	$90.9	$74.8	N/A
Gross margin	21.8	25.2	17.6	N/A	0.2	(1.2)	(1.6)	N/A	22.0	24.0	16.0	N/A
Operating loss	(5.4)	(2.5)	(10.1)	N/A	—	(1.2)	(1.6)	N/A	(5.4)	(3.7)	(11.7)	N/A
Net loss	(5.7)	(3.3)	(11.5)	N/A	0.2	(1.2)	(1.6)	N/A	(5.5)	(4.5)	(13.1)	N/A
Net loss attributable to Aviat Networks	(5.7)	(3.3)	(11.5)	N/A	0.2	(1.2)	(1.6)	N/A	(5.5)	(4.5)	(13.1)	N/A
Fiscal 2014 (Unaudited)												
Revenue	$93.4	$85.8	$81.4	$85.4	$—	$—	$—	$—	$93.4	$85.8	$81.4	$85.4
Gross margin	23.1	21.3	20.9	19.8	0.1	0.2	0.2	(0.4)	23.2	21.5	21.1	19.4
Operating loss	(13.4)	(10.7)	(14.8)	(11.8)	0.1	0.2	0.2	(0.4)	(13.3)	(10.5)	(14.6)	(12.2)
Net loss	(13.6)	(9.9)	(14.8)	(12.9)	0.1	0.2	0.2	(0.4)	(13.5)	(9.7)	(14.6)	(13.3)

The following tables summarize certain charges, expenses and loss (income) from discontinued operations included in our results of operations for each of the fiscal quarters presented:

	Q1 Ended 9/26/2014	Q2 Ended 12/26/2014	Q3 Ended 4/3/2015	Q4 Ended 7/3/2015
	(In millions)			
Fiscal 2015				
Amortization of purchased technology and intangible assets	$0.1	$0.1	$0.1	$0.1
Restructuring charges	1.5	—	3.2	0.2
Share-based compensation expense	0.6	0.4	0.7	0.5
	$2.2	$0.5	$4.0	$0.8
Income (loss) from discontinued operations	$0.2	$(0.1)	$—	$—

	Q1 Ended 9/27/2013	Q2 Ended 12/27/2013	Q3 Ended 3/28/2014	Q4 Ended 6/27/2014
	(In millions)			
Fiscal 2014				
Amortization of purchased technology and intangible assets	$0.1	$0.1	$0.1	$0.1
Restructuring charges	4.5	0.3	4.2	2.1
Charges for excess and obsolete inventory mark-downs	—	—	—	1.2
Transactional tax assessments	—	0.6	—	—
Share-based compensation expense	1.5	0.7	0.6	0.6
Warehouse consolidation costs	0.2	—	—	—
	$6.3	$1.7	$4.9	$4.0
Income from discontinued operations	$0.1	$0.3	$0.3	$0.2

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
Not applicable.
Item 9A. Controls and Procedures
(a) Management's Report on Internal Control over Financial Reporting
Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP and includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.
Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.
Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, management has assessed the effectiveness of the Company's internal control over financial reporting based on the criteria set forth in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.
A material weakness is a control deficiency or a combination of control deficiencies that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. In connection with the Company's assessment of the effectiveness of internal control over financial reporting, the Company identified the following material weaknesses that existed as of July 3, 2015:

- COSO Components - Risk Assessment and Monitoring Activities. We determined that our controls pertaining to risk assessment and monitoring activities did not operate effectively, resulting in a material weakness pertaining to these COSO components. Specifically, (i) with respect to risk assessment, we did not sufficiently identify and address risks associated with (a) the adequacy of training needs of employees whose job functions bear upon our accounting and financial reporting; (b) segregation of duty conflicts and the adequacy and effectiveness of compensating controls; and (c) certain processes, further noted in the Control Activities discussion below, resulting in inadequately designed control activities; and (ii) with respect to monitoring activities, (a) we did not design and maintain effective controls for the review, supervision and monitoring of our international accounting operations and for evaluating the adequacy of our internal control over financial reporting, including adequate documentation of control performance; and (b) there were insufficient procedures to effectively determine the adequacy of our internal control over financial reporting. The deficiencies in these COSO components are interrelated and represent a material weakness. This material weakness contributed to the other material weaknesses described below and an environment where there was more than a remote likelihood that a material misstatement of the interim and annual consolidated financial statements could occur and not be prevented or detected. As a result, adjustments to various accounts were made to correct errors that were determined to be immaterial to the prior period financial statements.
- Control Activities - Account Reconciliations. The design and operating effectiveness of our controls were inadequate to ensure that account reconciliations were reviewed and approved for accuracy and completeness and that we identified, accumulated and documented appropriate information necessary to support account balances.

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- Control Activities - Revenue Recognition. The design and operating effectiveness of our controls were inadequate to ensure that the terms and conditions of all negotiated customer discounts were agreed upon with the customer in advance of recognizing revenue to ensure that the reported amount and timing of revenue recognition was accurate.
- Control Activities - Revenue Cut-off Procedures. The design and operating effectiveness of our controls were inadequate to ensure that all revenue recognized on shipments made under FOB Destination terms was recognized in the proper period.
- Control Activities - Project Accruals. The design and operating effectiveness of our controls were inadequate to ensure that the project accrual balances were accurate.
- Control Activities - Inventory Existence. The design and operating effectiveness of our controls over inventory cycle counts and inventory at consigned locations were inadequate to ensure that the underlying quantities in support of inventory balances were accurate.

Errors identified in our financial statements and the aforementioned material weaknesses resulted in a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements would not be prevented or detected on a timely basis.

The material weaknesses identified by management could result in a material misstatement to our annual or interim financial statements that would not be prevented or detected. Management has concluded that our internal control over financial reporting was not effective as of July 3, 2015 due to the material weaknesses identified. We reviewed the results of management's assessment with the Audit Committee of the Company's Board of Directors.

BDO USA, LLP, our independent registered public accounting firm, has issued an attestation report regarding its assessment of our internal control over financial reporting as of July 3, 2015, as set forth at the beginning of Part II, Item 8 of this Annual Report on Form 10-K.

(b) Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

As of July 3, 2015, management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. Based upon the evaluation and as a result of the material weaknesses described above, our Chief Executive Officer and Chief Financial Officer concluded that, as of July 3, 2015, our disclosure controls and procedures were not effective at the reasonable assurance level.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurances of achieving their control objectives.

(c) Changes in Internal Control over Financial Reporting

Other than the material weaknesses noted above and the remediation actions described below, there were no changes in our internal control over financial reporting during the quarter ended July 3, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(d) Remedial Actions to Address Material Weaknesses

We continue to evaluate the effectiveness of our remediation efforts, including demonstrating that the new or improved controls operate effectively for a reasonable period of time. If appropriate, we expect to make further changes to our internal controls. The following actions have been taken, or we expect to take as soon as practicable, to strengthen our controls and organizational structure:

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We plan to provide additional training to employees whose job functions bear upon our accounting and financial reporting, including members of the sales and operations departments, in order to ensure that our employees develop a greater understanding of the control activities that they perform.

We expect to enhance our risk assessment process. With regard to segregation of duty ("SOD") conflicts associated with our worldwide enterprise resource planning system, we are streamlining and narrowing user system responsibilities in order to reduce the number of SOD conflicts and are developing processes to monitor all remaining SOD conflicts on an ongoing basis. With regard to control design deficiencies, we plan to perform a more robust assessment of risks impacting our accounting and financial reporting and implement new controls or revise existing controls to address such risks.

We are implementing processes to improve monitoring activities involving the review and supervision of our accounting operations. We expect this to involve (i) implementing increased and enhanced balance sheet reviews to allow more focus on quality account reconciliations; and (ii) enhancing monitoring over international activities.

To improve the accuracy of our revenue cut-off procedures, we are expanding the time period over which FOB Destination shipments are reviewed at quarter-end to provide additional assurance that revenue on all shipments made during the cut-off period is recognized in the proper period.

To improve the accuracy of our inventory quantities, we are reviewing (i) our inventory cycle count procedures, (ii) our review and supervision of such procedures and (ii) our monitoring activities specifically pertaining to cycle counts to ensure that our cycle count procedures address all relevant risks, are adequately documented and are sufficiently supervised and monitored on an ongoing basis.

Item 9B. Other Information

None.

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PART III

Certain information required by Part III is omitted from this Annual Report on Form 10-K because we will file a definitive Proxy Statement with the SEC within 120 days after the end of our fiscal year ended July 3, 2015.

Item 10. Directors, Executive Officers and Corporate Governance

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

For information with respect to Executive Officers, see Part I, Item 1 of this Annual Report on Form 10-K, under "Executive Officers of the Registrant."

Information regarding our directors and compliance with Section 16(a) of the Exchange Act by our directors and executive officers will appear in our definitive Proxy Statement and is incorporated herein by reference.

Item 11. Executive Compensation

Information regarding our executive compensation will appear in our definitive Proxy Statement and is incorporated herein by reference.

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

Equity Compensation Plan Summary

The following table provides information as of July 3, 2015, relating to our equity compensation plan pursuant to which grants of options, restricted stock and performance shares may be granted from time to time and the option plans and agreements assumed by us in connection with the Stratex acquisition:

Plan Category	Number of Securities to be Issued Upon Exercise of Options and Vesting of restricted Stock Units and Performance Share Units(1)	Weighted-Average Exercise Price of Outstanding Options(2)	Number of Securities Remaining Available for Further Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity Compensation plan approved by security holders(3)	9,107,014	$ 2.80	1,351,936
Equity Compensation plans not approved by security holders(4)	27,625	$ 24.60	—
Total	9,134,639	$ 2.88	1,351,936

(1) Under the 2007 Stock Plan, in addition to options, we have granted share-based compensation awards in the form of performance shares, restricted stock, performance share units and restricted stock units. As of July 3, 2015, there were 1,780,932 such awards outstanding under that plan. The outstanding awards consisted of (i) performance share awards at target and restricted stock awards, for which all 20,264 shares were issued and outstanding; and (ii) 1,760,668 performance share unit awards at target and restricted stock unit awards, for which all 1,760,668 were payable in shares but for which no shares were yet issued and outstanding. The 9,107,014 shares to be issued upon exercise of outstanding options and vesting of restricted stock units and performance share units as listed in the first column consisted of shares to be issued in respect of the exercise of 7,346,346 outstanding options and in respect of the 1,760,668 performance share unit awards and restricted stock units awards payable in shares.

(2) Excluded weighted average fair value of restricted stock units and performance share units at issuance date.

(3) Consisted solely of our 2007 Stock Plan, as amended and restated effective November 17, 2011.

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

For further information on our equity compensation plans see “Note 1. The Company and Summary of Significant Accounting Policies” and “Note 9. Stockholders’ Equity” in the notes to consolidated financial statements included in Item 8.

The other information required by this item will appear in our definitive Proxy Statement and is incorporated herein by reference.

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

Information regarding certain relationships and related transactions, and director independence will appear in our definitive Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information regarding our principal accountant fees and services will appear in our definitive Proxy Statement and is incorporated herein by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report.

1. Financial Statements.

The financial statements of Aviat Networks, Inc. are set forth in Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedules.

Schedule II — Valuation and Qualifying Accounts for the three fiscal years ended July 3, 2015

All other schedules have been omitted because the required information is not present or is not present in amounts sufficient to require submission of the schedules or because the information required is included in the consolidated financial statements or notes thereto.

(b)Exhibits.

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

Ex. #	Description
2.1	Intentionally omitted
2.2	Intentionally omitted
2.3	Intentionally omitted
2.4	Asset Purchase Agreement by and among Aviat U.S., Inc. and EION Networks, Inc., dated as of September 2, 2011 (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on September 9, 2011, File No. 001-33278)
3.1	Amended and Restated Certificate of Incorporation of Harris Stratex Networks, Inc. as filed with the Secretary of State of the State of Delaware on November 19, 2009 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on November 23, 2009, File No. 001-33278)
3.2	Amended and Restated Bylaws of Harris Stratex Networks, Inc. (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed with the SEC on November 23, 2009, File No. 001-33278)
3.3	Certificate of Ownership and Merger Merging Aviat Networks, Inc. into Harris Stratex Networks, Inc., effective January 27, 2010, as filed with the Secretary of State of the State of Delaware on January 27, 2010 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on January 28, 2010, File No. 001-33278)
4.1	Intentionally omitted
4.1.1	Specimen common stock certificate, adopted as of January 29, 2010 (incorporated by reference to Exhibit 4.1.1 to the Annual Report on Form 10-K for fiscal year end July 2, 2010 filed with the SEC on September 9, 2010, File No. 001-33278)
4.2	Intentionally omitted
4.3	Intentionally omitted
10.1	Intentionally omitted

10.2	Intentionally omitted
10.3	Intellectual Property Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed with the SEC on February 1, 2007, File No. 001-33278)
10.4	Intentionally omitted

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Ex. #	Description
10.5	Intentionally omitted
10.6	Intentionally omitted
10.6.1	Intentionally omitted
10.7	Intentionally omitted
10.8	Intentionally omitted
10.9	Intentionally omitted
10.10	Tax Sharing Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.11 to the Current Report on Form 8-K filed with the SEC on February 1, 2007, File No. 001-33278)
10.11	Intentionally omitted
10.12*	Intentionally omitted
10.13*	Intentionally omitted
10.13.1*	Intentionally omitted
10.14*	Standard Form of Executive Employment Agreement between Harris Stratex Networks, Inc. and certain executives (incorporated by reference to Exhibit 10.16 to the Current Report on Form 8-K filed with the SEC on February 1, 2007, File No. 001-33278)
10.15	Form of Indemnification Agreement between Harris Stratex Networks, Inc. and its directors and certain officers (incorporated by reference to Exhibit 10.16 to the Registration Statement on Form S-1 of Stratex Networks, Inc., File No. 33-13431)
10.16	Intentionally omitted
10.17*	Harris Stratex Networks, Inc. Annual Incentive Plan (incorporated by reference to Exhibit 10.17 to the Annual Report on Form 10-K for the fiscal year ended June 27, 2008 filed with the SEC on September 25, 2008, File No. 001-33278)
10.18*	Intentionally omitted
10.18.1	Intentionally omitted
10.18.2	Aviat Networks, Inc. 2007 Stock Equity Plan (as Amended and Restated Effective November 17, 2011) (incorporated by reference to Appendix A to Schedule 14A filed with the SEC on October 3, 2011, File No. 001-33278)
10.19	Intentionally omitted

10.19.1	Intentionally omitted
10.20	Intentionally omitted
10.20.1	Intentionally omitted
10.20.2	Intentionally omitted
10.20.3	Second Amended and Restated Loan and Security Agreement, dated as of March 28, 2014, by and among Aviat Networks, Inc., Aviat U.S., Inc., Aviat Networks (S) Pte. Ltd., and Silicon Valley Bank (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on March 31, 2014, File No. 001-33278)
10.20.4	Amendment #1 to Second Amended and Restated Loan and Security Agreement, dated as of September 25, 2014, by and among Aviat Networks, Inc., Aviat U.S., Inc., Aviat Networks (S) Pte. Ltd. and Silicon Valley Bank (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on September 29, 2014, File No. 001-33278)

Ex. #	Description
10.20.5	Amendment #2 to Second Amended and Restated Loan and Security Agreement, dated as of October 30,2014, by and among Aviat Networks, Inc., Aviat U.S., Inc., Aviat Networks (S) Pte. Ltd. and Silicon Valley Bank (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on October 30, 2014, File No. 001-33278)
10.20.6	Amendment #3 to Second Amended and Restated Loan and Security Agreement, dated as of December 2, 2014, by and among Aviat Networks, Inc., Aviat U.S., Inc., Aviat Networks (S) Pte. Ltd., and Silicon Valley Bank (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on December 5, 2014, File No. 001-33278)
10.20.7	Amendment #4 to Second Amended and Restated Loan and Security Agreement, dated February 27, 2015, by and among Aviat Networks, Inc., Aviat U.S., Inc., Aviat Networks (S) Pte. Ltd., and Silicon Valley Bank (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on March 3, 2015, File No. 001-33278)
10.21	Intentionally omitted
10.22*	Intentionally omitted
10.22.1*	Intentionally omitted
10.23*	Employment Agreement, dated as of April 1, 2006, between Harris Stratex Networks, Inc. and Heinz Stumpe (incorporated by reference to Exhibit 10.15.2 to the Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2007 filed with the SEC on May 8, 2007, File No. 001-33278)
10.24*	Intentionally omitted
10.24.1*	Intentionally omitted
10.24.2*	Intentionally omitted
10.25*	Employment Agreement, dated as of May 14, 2002, between Stratex Networks, Inc. and Shaun McFall (incorporated by reference to Exhibit 10.25 to the Annual Report on Form 10-K for the fiscal year ended July 3, 2009 filed with the SEC on September 4, 2009, File No. 001-33278)
10.25.1*	Amendment, effective April 1, 2006, to Employment Agreement, dated May 14, 2002, between Stratex Networks, Inc. and Shaun McFall (incorporated by reference to Exhibit 10.25.1 to the Annual Report on Form 10-K for the fiscal year ended July 3, 2009 filed with the SEC on September 4, 2009, File No. 001-33278)
10.26*	Intentionally omitted
10.26.1*	Intentionally omitted
10.27*	Intentionally omitted
10.28*	

	Employment Agreement, dated July 18, 2011, between Aviat Networks, Inc. and Michael Pangia (incorporated by reference to the Current Report on Form 8-K filed with the SEC on July 20, 2011, File No. 001-33278)
10.29*	Employment Agreement, dated December 30, 2010, between Aviat Networks, Inc. and John Madigan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on January 4, 2011, File No. 001-33278)
10.30*	Employment Agreement, dated December 29, 2014, between Aviat Networks, Inc. and Michael Shahbazian (incorporated by reference to the Current Report on Form 8-K filed with the SEC on December 29, 2014, File No. 001-33278)
10.31*	Employment Agreement, dated April 29, 2015, between Aviat Networks, Inc. and Ralph S. Marimon (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on May 14, 2015, File No. 001-33278)
10.32	Letter Agreement, dated as of January 11, 2015, among Aviat Networks, Inc., Steel Partners Holdings L.P., Lone Star Value Management, LLC and certain other parties (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on January 12, 2015, File No. 001-33278)
16.1	Intentionally omitted

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Ex. #	Description
16.2	Letter from KPMG LLP to the Securities and Exchange Commission dated February 26, 2015 (incorporated by reference to Exhibit 16.1 to the Current Report on Form 8-K filed with the SEC on March 3, 2015)
21	List of Subsidiaries of Aviat Networks, Inc.
23.1	Consent of BDO USA, LLP
23.2	Consent of KPMG LLP
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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

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SIGNATURES

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

AVIAT NETWORKS, INC.
(Registrant)

By:	/s/ Michael A. Pangia Michael A. Pangia President and Chief Executive Officer

Date: September 30, 2015

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

Signature	Title	Date
/s/ Michael A. Pangia Michael A. Pangia	President and Chief Executive Officer (Principal Executive Officer)	September 30, 2015
/s/ Ralph S. Marimon Ralph S. Marimon	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	September 30, 2015
/s/ John J. Madigan John J. Madigan	Vice President, Corporate Controller and Principal Accounting Officer (Principal Accounting Officer)	September 30, 2015
/s/ John Mutch John Mutch	Chairman of the Board	September 30, 2015
/s/ William A. Hasler William A. Hasler	Director	September 30, 2015
/s/ Charles D. Kissner Charles D. Kissner	Director	September 30, 2015
/s/ James R. Henderson James R. Henderson	Director	September 30, 2015
/s/ Robert G. Pearse Robert G. Pearse	Director	September 30, 2015
/s/ John Quicke John Quicke	Director	September 30, 2015
/s/ James C. Stoffel James C. Stoffel	Director	September 30, 2015

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SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
AVIAT NETWORKS, INC.
Years Ended July 3, 2015, June 27, 2014 and June 28, 2013

	Balance at Beginning of Period (In millions)	Additions Charged to Costs and Expenses	Deductions		Balance at End of Period
Allowances for collection losses:					
Year ended July 3, 2015	$7.4	$1.3	$2.0	(A)	$6.7
Year ended June 27, 2014	$10.2	$1.5	$4.3	(B)	$7.4
Year ended June 28, 2013	$16.2	$2.8	$8.8	(C)	$10.2

Note A Consisted of changes to allowance for collection losses of $0.2 million for foreign currency translation losses and $1.8 million for uncollectible accounts charged off, net of recoveries on accounts previously charged off.

Note B Consisted of changes to allowance for collection losses of $4.3 million for uncollectible accounts charged off, net of recoveries on accounts previously charged off.

Note C Consisted of changes to allowance for collection losses of $0.1 million for foreign currency translation losses and $8.9 million for uncollectible accounts charged off, net of recoveries on accounts previously charged off.

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EXHIBIT INDEX

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

Ex. #	Description
2.1	Intentionally omitted
2.2	Intentionally omitted
2.3	Intentionally omitted
2.4	Asset Purchase Agreement by and among Aviat U.S., Inc. and EION Networks, Inc., dated as of September 2, 2011 (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC on September 9, 2011, File No. 001-33278)
3.1	Amended and Restated Certificate of Incorporation of Harris Stratex Networks, Inc. as filed with the Secretary of State of the State of Delaware on November 19, 2009 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on November 23, 2009, File No. 001-33278)
3.2	Amended and Restated Bylaws of Harris Stratex Networks, Inc. (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed with the SEC on November 23, 2009, File No. 001-33278)
3.3	Certificate of Ownership and Merger Merging Aviat Networks, Inc. into Harris Stratex Networks, Inc., effective January 27, 2010, as filed with the Secretary of State of the State of Delaware on January 27, 2010 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on January 28, 2010, File No. 001-33278)
4.1	Intentionally omitted
4.1.1	Specimen common stock certificate, adopted as of January 29, 2010 (incorporated by reference to Exhibit 4.1.1 to the Annual Report on Form 10-K for fiscal year end July 2, 2010 filed with the SEC on September 9, 2010, File No. 001-33278)
4.2	Intentionally omitted
4.3	Intentionally omitted
10.1	Intentionally omitted
10.2	Intentionally omitted
10.3	Intellectual Property Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed with the SEC on February 1, 2007, File No. 001-33278)
10.4	Intentionally omitted
10.5	Intentionally omitted

10.6	Intentionally omitted
10.6.1	Intentionally omitted
10.7	Intentionally omitted
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10.9	Intentionally omitted
10.10	Tax Sharing Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.11 to the Current Report on Form 8-K filed with the SEC on February 1, 2007, File No. 001-33278)
10.11	Intentionally omitted
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Ex. #	Description
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10.17*	Harris Stratex Networks, Inc. Annual Incentive Plan (incorporated by reference to Exhibit 10.17 to the Annual Report on Form 10-K for the fiscal year ended June 27, 2008 filed with the SEC on September 25, 2008, File No. 001-33278)
10.18*	Intentionally omitted
10.18.1	Intentionally omitted
10.18.2	Aviat Networks, Inc. 2007 Stock Equity Plan (as Amended and Restated Effective November 17, 2011) (incorporated by reference to Appendix A to Schedule 14A filed with the SEC on October 3, 2011, File No. 001-33278)
10.19	Intentionally omitted
10.19.1	Intentionally omitted
10.20	Intentionally omitted
10.20.1	Intentionally omitted
10.20.2	Intentionally omitted
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	SEC on October 30, 2014, File No. 001-33278)
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Ex. #	Description
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10.24.1*	Intentionally omitted
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23.2	Consent of KPMG LLP
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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Ex. #	Description
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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

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