HARRIS CORP /DE/
Form 10-K
August 29, 2011

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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, D.C. 20549**
**FORM 10-K**

**(Mark One)**

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

**For the fiscal year ended July 1, 2011**

OR

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

For the transition period from _____ to _____

Commission File Number 1-3863

**HARRIS CORPORATION**
(Exact name of registrant as specified in its charter)

| **Delaware** | **34-0276860** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **1025 West NASA Boulevard**<br>**Melbourne, Florida** | **32919** |
| (Address of principal executive offices) | (Zip Code) |

**Registrant s telephone number, including area code: (321) 727-9100**
**Securities Registered Pursuant to Section 12(b) of the Act:**

| **Title of each class** | **Name of each exchange on which registered** |
|---|---|
| Common Stock, par value $1.00 per share | New York Stock Exchange |

**Securities Registered Pursuant to Section 12(g) of the Act:** None

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ü No__

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ü No__

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

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

| | |
|---|---|
| Large accelerated filer ü | Accelerated filer__ |
| Non-accelerated filer__ (Do not check if a smaller reporting company) | Smaller reporting company__ |

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

The aggregate market value of the voting common equity held by non-affiliates of the registrant was $5,760,729,154 (based upon the quoted closing sale price per share of the stock on the New York Stock Exchange) on the last business day of the registrant s most recently completed second fiscal quarter (December 31, 2010). For purposes of this calculation, the registrant has assumed that its directors and executive officers as of December 31, 2010 are affiliates.

The number of outstanding shares of the registrant s common stock as of August 26, 2011 was 120,208,465.

**Documents Incorporated by Reference:**

Portions of the registrant s definitive Proxy Statement for the 2011 Annual Meeting of Shareholders scheduled to be held on October 28, 2011, which will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant s fiscal year ended July 1, 2011, are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent described therein.

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**HARRIS CORPORATION**

**ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED JULY 1, 2011**

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**Exhibits**

This Annual Report on Form 10-K contains trademarks, service marks and registered marks of Harris Corporation and its subsidiaries. Bluetooth® is a registered trademark of Bluetooth SIG, Inc. 7-Eleven® is a registered trademark of 7-Eleven, Inc. All other trademarks are the property of their respective owners.

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**Cautionary Statement Regarding Forward-Looking Statements**

This Annual Report on Form 10-K (this Report ), including Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they do not materialize or prove correct, could cause our results to differ materially from those expressed in or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including, but not limited to, statements concerning: our plans, strategies and objectives for future operations; new products, services or developments; future economic conditions, performance or outlook; the outcome of contingencies; the potential level of share repurchases; the value of our contract awards and programs; expected cash flows or capital expenditures; our beliefs or expectations; activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future; and assumptions underlying any of the foregoing. Forward-looking statements may be identified by their use of forward-looking terminology, such as believes, expects, may, should, would, will, plans, estimates, anticipates, projects and similar words or expressions. You should not place undue reliance on the forward-looking statements, which reflect our management s opinions only as of the date of the filing of this Report and are not guarantees of future performance or actual results. Factors that might cause our results to differ materially from those expressed in or implied by these forward-looking statements include, but are not limited to, those discussed in Item 1A. Risk Factors of this Report. All forward-looking statements are qualified by, and should be read in conjunction with, those risk factors. Forward-looking statements are made in reliance upon the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended (the Securities Act ), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act ), and we undertake no obligation, other than imposed by law, to update forward-looking statements to reflect further developments or information obtained after the date of filing of this Report or, in the case of any document incorporated by reference, the date of that document, and disclaim any obligation to do so.

## PART I

## ITEM 1. BUSINESS.

### HARRIS

Harris Corporation, together with its subsidiaries, is an international communications and information technology company serving government and commercial markets in more than 150 countries. We are dedicated to developing best-in-class *assured communications*® products, systems and services for global markets, including RF communications, integrated network solutions and government communications systems.

Harris Corporation was incorporated in Delaware in 1926 as the successor to three companies founded in the 1890s. Our principal executive offices are located at 1025 West NASA Boulevard, Melbourne, Florida 32919, and our telephone number is (321) 727-9100. Our common stock is listed on the New York Stock Exchange under the symbol HRS. On July 1, 2011, we employed approximately 16,900 people. Unless the context otherwise requires, the terms we, our, us, Company and Harris as used in this Report refer to Harris Corporation and its subsidiaries.

**General**

We structure our operations primarily around the products and services we sell and the markets we serve, and we report the financial results of our operations in the following three reportable operating segments:

- Our RF Communications segment, comprised of (i) U.S. Department of Defense and International Tactical Communications and (ii) Public Safety and Professional Communications;
- Our Integrated Network Solutions segment, comprised of (i) IT Services, (ii) Managed Satellite and Terrestrial Communications Solutions, (iii) Healthcare Solutions, (iv) Cyber Integrated Solutions and (v) Broadcast and New Media Solutions; and

Our Government Communications Systems segment, comprised of (i) Civil Programs, (ii) Defense Programs and (iii) National Intelligence Programs.

As previously reported and as discussed further in *Note 25: Business Segments* in the Notes to Consolidated Financial Statements in this Report (the Notes ), our reportable operating segment structure reflects that, in the third quarter of fiscal 2011, we realigned our operations to provide increased market focus and address the fast-growing global market for integrated communications and information technology and services. As a result of the realignment of our operations, effective for the third quarter of fiscal 2011, we formed our Integrated Network Solutions segment as a new segment. The new segment realigns IT Services, Managed Satellite and Terrestrial

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Communications Solutions, Healthcare Solutions and Cyber Integrated Solutions (all of which were formerly under our Government Communications Systems segment) with Broadcast and New Media Solutions (formerly a separate reportable segment called Broadcast Communications). Our RF Communications segment did not change. The historical results, discussion and presentation of our operating segments as set forth in this Report have been adjusted to reflect the impact of these changes to our reportable operating segment structure for all periods presented in this Report.

In the fourth quarter of fiscal 2009, in connection with the May 27, 2009 spin-off (the Spin-off ) in the form of a taxable pro rata dividend to our shareholders of all the shares of Harris Stratex Networks, Inc. (now known as Aviat Networks, Inc.) ( HSTX ) common stock owned by us, we eliminated our former HSTX operating segment. Our historical financial results have been restated to account for HSTX as discontinued operations for all periods presented in this Report, and unless otherwise specified, disclosures in this Report relate solely to our continuing operations. For additional information regarding discontinued operations, see *Note 3: Discontinued Operations* in the Notes.

Financial information with respect to all of our other activities, including corporate costs not allocated to the operating segments or discontinued operations, is reported as part of the Unallocated corporate expense or Non-operating loss line items in our Consolidated Financial Statements and accompanying Notes.

**Recent Acquisitions**

*Acquisition of CapRock.* On July 30, 2010, we acquired privately held CapRock Holdings, Inc. and its subsidiaries, including CapRock Communications, Inc. (collectively, CapRock ), a global provider of mission-critical, managed satellite communications services for the government, energy and maritime industries. CapRock s solutions include broadband Internet access, voice over Internet Protocol ( VOIP ) telephony, wideband networking and real-time video, delivered to nearly 2,000 customer sites around the world. The acquisition of CapRock increased the breadth of our *assured communications*® capabilities, while enabling us to enter new vertical markets and increase our international presence. The total net purchase price for CapRock was $517.5 million. We report CapRock as part of Managed Satellite and Terrestrial Communications Solutions under our Integrated Network Solutions segment.

*Acquisition of Schlumberger GCS.* On April 4, 2011, we acquired from Schlumberger B.V. and its affiliates ( Schlumberger ) substantially all of the assets of the Schlumberger group s Global Connectivity Services business ( Schlumberger GCS ), a provider of satellite and terrestrial communications services for the worldwide energy industry. The total net purchase price for Schlumberger GCS was $380.6 million, subject to post-closing adjustments. We report Schlumberger GCS as part of Managed Satellite and Terrestrial Communications Solutions under our Integrated Network Solutions segment.

*Acquisition of Carefx.* Also on April 4, 2011, we acquired privately held Carefx Corporation ( Carefx ), a provider of interoperability workflow solutions for government and commercial healthcare providers. Carefx s solution suite is used by more than 800 hospitals, healthcare systems and health information exchanges across North America, Europe and Asia. This acquisition expanded our presence in government healthcare, provided entry into the commercial healthcare market, and is expected to leverage the healthcare interoperability workflow products offered by Carefx and the broader scale of enterprise intelligence solutions and services that we provide. The total net purchase price for Carefx was $152.6 million, subject to post-closing adjustments. We report Carefx as part of Healthcare Solutions under our Integrated Network Solutions segment.

**Subsequent Event Share Repurchase Program**

On July 30, 2011, our Board of Directors approved a new $1 billion share repurchase program (the New Repurchase Program ) and increased the quarterly cash dividend rate on our common stock from $0.25 per share to $0.28 per share. The New Repurchase Program replaced our prior share repurchase program (the 2009 Repurchase Program ), which had a remaining, unused authorization of approximately $200 million. The New Repurchase Program does not have a

stated expiration date. We currently expect to repurchase up to $500 million in shares under the New Repurchase Program by the end of calendar year 2011. The New Repurchase Program is expected to result in repurchases well in excess of the dilutive effect of shares issued under our share-based incentive plans. However, the level of our repurchases depends on a number of factors, including our financial condition, capital requirements, results of operations, future business prospects and other factors our Board of Directors may deem relevant. Share repurchases are expected to be funded with available cash and commercial paper. Repurchases under the New Repurchase Program may be made through open market purchases, private transactions, transactions structured through investment banking institutions, or any combination thereof. The timing, volume and nature of

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share repurchases are subject to market conditions, applicable securities laws and other factors and are at our discretion and may be suspended or discontinued at any time.

**Financial Information About Our Business Segments**

Financial information with respect to our business segments, including revenue, operating income or loss and total assets, and with respect to our operations outside the United States, is contained in *Note 25: Business Segments* in the Notes and is incorporated herein by reference.

**Description of Business by Segment**

***RF Communications***

RF Communications is a global supplier of secure tactical radio communications and embedded high-grade encryption solutions for military, government and commercial organizations and also of secure communications systems and equipment for public safety, utility and transportation markets. RF Communications is comprised of (i) U.S. Department of Defense and International Tactical Communications and (ii) Public Safety and Professional Communications.

*U.S. Department of Defense and International Tactical Communications:* We design, develop and manufacture a comprehensive line of secure radio communications products and systems for manpack, handheld, soldier-worn, vehicular, strategic fixed-site and shipboard applications that operate in various radio frequency bands high-frequency ( HF ), very high-frequency ( VHF ) and ultra high-frequency ( UHF ) as well as in multiband mode and over satellite communications ( SATCOM ). These radio systems are highly flexible, interoperable and capable of supporting diverse mission requirements. Our Falcon® family of tactical radios is built on a software-defined radio platform that is reprogrammable to add features or software upgrades. Our Falcon radios also have the highest grade embedded encryption and provide highly mobile, secure and reliable network communications capability without relying on a fixed infrastructure. This capability allows warfighters, for example, to remain connected with each other, their command structures and support organizations, and provides them the ability to communicate information and maintain situational awareness of both friendly and opposing forces, which are critical to both the safety and success of their missions. Our Falcon radio systems have been widely deployed in multiple variants of Mine Resistant Ambush-Protect ( MRAP ) vehicles for the U.S. Department of Defense ( DoD ).

Unlike many of our competitors in the U.S. Government market, we operate this business on a commercial customer-driven business model, as opposed to a government programs-driven business model. This means that we anticipate market needs, invest our internal research and development resources, build to our internal forecast, and provide ready-to-ship, commercial, off-the-shelf ( COTS ) products to customers more quickly than customers can typically obtain similar products under government-funded programs.

Our Falcon III® family of radios is the next generation of multiband, multi-mission tactical radios supporting the U.S. military s Joint Tactical Radio System ( JTRS ) requirements as well as network-centric operations worldwide. Our Falcon III radios address the full range of current mission and interoperability requirements and are fully upgradeable to address changing technical standards and mission requirements of the future. Advances in our Falcon III radios include extended frequency range, significant reductions in weight and size compared with previous generations and programmable encryption.

Our Falcon III multiband handheld radio, the AN/PRC-152(C) ( 152C ), is the world s most widely deployed JTRS-approved software-defined handheld radio and was our first Falcon III radio to be fielded. We have successfully fielded more than 100,000 152Cs, which are widely fielded by all branches of the DoD, many allies worldwide and U.S. Federal agencies. The 152C offers users a wide range of capabilities, such as legacy Single Channel Ground and Airborne System ( SINCGARS ) interoperability; UHF ground-to-ground line-of-sight communications; close-air

support; tactical SATCOM; and the Association of Public Safety Communications Officials International ( APCO ) P25 waveform to provide direct communications with first responders. The 152C also serves as the handheld-based transceiver of our Falcon III AN/VRC-110, a high-performance, multiband vehicular system that offers the added feature of easy vehicle dismount a grab-and-go feature that delivers continuous communications when removed from the vehicle, an important capability in urban environments.

Our Falcon III multiband manpack radio, the AN/PRC-117G ( 117G ), is the first JTRS Software Communications Architecture ( SCA )-certified and National Security Agency ( NSA ) Type-1 certified manpack radio system providing wideband networking capability, enabling the transition to a networked battlefield communications environment and high-bandwidth applications, including streaming video, simultaneous voice and data feeds, intelligence reporting and analysis, collaborative chat, route planning, convoy tracking, checkpoint biometrics and connectivity to secure networks ( SIPRNet ). The 117G uses the Harris-developed Adaptive

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Networking Wideband Waveform ( ANW2 ) for high bandwidth data operation and is designed for future upgrade to the JTRS Soldier Radio Waveform ( SRW ). The 117G s wideband network access capabilities give warfighters and field commanders critical real-time information. The 117G has been deployed to all branches of the DoD and is being used in a wide variety of ground, vehicular and airborne applications, including intelligence, surveillance and reconnaissance ( ISR ). The 117G includes a Remote Operated Video Enhanced Receiver ( ROVER ) interoperable mode that provides warfighters on the battlefield with the ability to receive live video directly from unmanned aerial vehicles ( UAVs ). This capability allows users to receive video feeds directly from UAVs without an intermediary or having to pass that information from a base station.

Our cryptographic solutions encompass NSA-certified products and systems that range from single integrated circuits to major communications systems, including our Sierra® and Citadel® embedded encryption solutions and KGV-72 blue force tracking programmable encryption devices and our SecNet 11® and SecNet 54™ Internet Protocol ( IP ) communications families of communications security ( COMSEC ) terminals.

In the international market, our tactical radios are the standard of NATO and Partnership for Peace countries and have been sold to more than 100 countries through our strong, longstanding international distribution channels consisting of regional sales offices and a broad dealer network. International tactical radio demand is being driven by continuing tactical communications modernization and standardization programs to provide more sophisticated communications capabilities to address traditional and emerging threats and to provide interoperability. In fiscal 2011, we received tactical radio orders from, and/or made deliveries to, a wide range of international customers, including Afghanistan, Australia, Brazil, Canada, Mexico and various countries in Africa, Asia and Southeast Asia that we are not permitted to name. Additionally, we are providing integrated communications systems for the international market. Our integrated systems offerings are largely based on our products, but include other companies products, as well as a wide variety of applications, in order to implement integrated command, control, communications, computers, intelligence, surveillance and reconnaissance ( C4ISR ) systems for many different types of platforms, including command post and transit case systems, vehicular and shelter communications systems and specialized airborne applications, which are frequently used in border security and surveillance systems.

*Public Safety and Professional Communications:* We supply *assured communications*® systems and equipment for public safety, federal, utility, commercial and transportation markets, with products ranging from complete end-to-end wireless network infrastructure solutions, including advanced IP voice and data networks, that support multiple platforms and provide interoperability among disparate systems, to portable and mobile single-band and multiband, multimode radios, to public safety-grade broadband voice, video and data solutions. On May 29, 2009, we acquired substantially all of the assets of the Tyco Electronics wireless systems business ( Wireless Systems ) (formerly known as M/A-COM). Our acquisition of Wireless Systems served to form our Public Safety and Professional Communications business. This business has more than 80 years of experience and supports over 500 systems around the world.

As part of our business of designing, building, distributing, maintaining and supplying wireless communications systems, we offer our Voice, Interoperability, Data and Access ( VIDA ) network platform a unified IP-based voice and data communication system based on APCO P25 industry standards that provides network-level interoperable communications among public safety agencies and that supports a full line of communications systems, including OpenSky®, NetworkFirst, P25$^{IP}$ and Enhanced Digital Access Communication System ( EDACS ), allowing seamless interconnection of diverse systems. Our VIDA network solutions currently serve as the backbone in some of the largest and most advanced statewide and regional communications networks in North America, including the Commonwealth of Pennsylvania and State of Florida.

In addition to a full range of single-band land mobile radio terminals, we offer our Unity™ family of multiband radios, including the Unity XG-100P handheld radio and the new Unity XG-100M full-spectrum mobile radio for vehicles.

Our Unity multiband radios cover all public safety frequency bands in a single radio; operate on APCO P25 conventional and trunked systems; are backwards compatible with analog FM systems; and include advanced capabilities, such as an internal Global Positioning System ( GPS ) receiver for situational awareness, internal secure Bluetooth® wireless technology, and background noise suppression features. They also include true software-defined radio architecture that allows flexibility for future growth, including a software-only upgrade to APCO P25 Phase 2, the next-generation emerging standard for mission-critical communications. Our Unity radios multiband, multi-mode capabilities enable a single radio to communicate with multiple organizations, jurisdictions and agencies operating on different frequencies and systems, thus providing a significant improvement over most current radio systems for U.S. public safety, which are not interoperable and thus require users to carry multiple radios or route transmissions through ad-hoc network bridges, often configured at the time of an emergency, and resulting in instances where agencies responding to a common incident cannot talk to each other.

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We received two large, multi-year program awards in fiscal 2011, both in the third quarter:

- A contract by the Government of Alberta, Canada to design and build the Alberta First Responders Radio Communications System that will provide public safety communications within the Province s 256,000 square-mile area, including an initial order of CAD289 million; and
- A 10-year price agreement requirements contract by the State of Oregon for the Oregon State Radio Project ( OSRP ) program designed to improve voice and data interoperability among state, local, county, tribal and federal agencies, under which Oregon state and local agencies may purchase public safety communication systems, radios and other equipment. We received an initial order of $50 million under the OSRP contract vehicle in the fourth quarter of fiscal 2011 that includes 4,200 of our new Unity XG-100M multiband mobile radios.

*Revenue, Operating Income and Backlog:* Revenue for the RF Communications segment increased 10.7 percent to $2,289 million in fiscal 2011 compared with $2,067 million in fiscal 2010, and was $1,761 million in fiscal 2009. Segment operating income increased 11.3 percent to $787.0 million in fiscal 2011 compared with $707.4 million in fiscal 2010, and was $571.5 million in fiscal 2009. The RF Communications segment contributed 39 percent of our total revenue in fiscal 2011 compared with 40 percent in fiscal 2010 and 35 percent in fiscal 2009. The percentage of this segment s revenue that was derived outside of the United States was 31 percent in fiscal 2011 compared with 20 percent in fiscal 2010 and 39 percent in fiscal 2009. In fiscal 2011, fiscal 2010 and fiscal 2009, U.S. Government customers, including the DoD and intelligence and civilian agencies, as well as foreign military sales through the U.S. Government, whether directly or through prime contractors, accounted for approximately 63 percent of this segment s total revenue. For a general description of our U.S. Government contracts and subcontracts, including a discussion of revenue generated from cost-reimbursable versus fixed-price contracts, see Item 1. Business Principal Customers; Government Contracts of this Report.

In general, this segment s domestic products are sold and serviced directly to customers through its sales organization and through established distribution channels. Internationally, this segment markets and sells its products and services through regional sales offices and established distribution channels. See Item 1. Business International Business of this Report.

The funded backlog of unfilled orders for this segment was $1,503 million at July 1, 2011 compared with $1,764 million at July 2, 2010 and $922 million at July 3, 2009. We expect to fill approximately 62 percent of this funded backlog during fiscal 2012, but we can give no assurance of such fulfillment. Additional information regarding funded backlog is provided under Item 1. Business Funded and Unfunded Backlog of this Report. For a discussion of certain risks affecting this segment, including risks relating to our U.S. Government contracts and subcontracts, see Item 1. Business Principal Customers; Government Contracts, Item 1A. Risk Factors and Item 3. Legal Proceedings of this Report.

***Integrated Network Solutions***

Our Integrated Network Solutions segment addresses the fast-growing global market for integrated communications and information technology and services and provides a variety of trusted networking capabilities to support government, energy, healthcare, enterprise and broadcast customers. These capabilities include mission-critical end-to-end information technology ( IT ) services; managed satellite and terrestrial communications solutions; standards-based healthcare interoperability and image management solutions; cyber integration and cloud application hosting solutions; and digital media management solutions.

*IT Services:* We provide end-to-end solutions in mission-critical IT transformation, IT services and information assurance. With over 3,000 professionals performing to the highest industry standards, we offer demonstrated past performance, proven technical expertise and innovative solutions in supporting large-scale IT programs that

encompass the full technology lifecycle, including network design, deployment, operations and ongoing support. Our distributed workforce and extensive experience in performance-based contracting and IT services are key factors in delivering results to our defense, intelligence, homeland security, civil and commercial customers.

Our IT transformation solutions use a holistic approach built on proven methodologies to design, implement and manage enterprise-wide architectures that align IT goals with customers business and mission goals. Our standards-based, repeatable IT transformation solutions unify, streamline and modernize unwieldy and disparate networks and systems across distributed environments, resulting in highly simplified, flexible, secure and manageable network infrastructures.

Our IT services solutions include outsourced staffing and infrastructure, sustained by comprehensive operations and maintenance offerings, and are based on a flexible, scalable and repeatable service level agreement ( SLA )

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performance-driven business model, frequently in a fixed-price environment. Our IT services solutions use an Information Technology Infrastructure Library ( ITIL )-based best-practices approach for optimizing and supporting IT and communications environments, improving efficiencies, lowering operational costs and allowing customers to focus on mission performance.

Our information assurance solutions include architecture analysis; attack warning and defense; identity management; security assessments; certification and accreditation process support; forensics analysis and vulnerability remediation; system anomaly monitoring, detection and management; and physical security countermeasures. Our information assurance solutions safeguard the confidentiality, integrity and availability of enterprise infrastructures, systems and critical business data over the full IT lifecycle, from infrastructure design to integration and testing to operations and maintenance. Those solutions meet widely used certification and accreditation standards, including the Federal Information Security Management Act ( FISMA ), the National Security Agency/Central Security Service Information System Certification and Accreditation Process ( NISCAP ) and the Department of Defense Information Assurance Certification and Accreditation Process ( DIACAP ).

We design, deploy, operate and support customer-centric, secure communications systems and information networks for high-profile customers, and examples include the following:

- We provide operations and maintenance support at locations around the world for the communications functions for the U.S. Air Force 50th Space Wing s Satellite Control Network ( AFSCN ), a global, continuously operational network of ground stations, operational control nodes and communications links that support launch and command and control of various space programs managed by the DoD and other national security space organizations, under the Network and Space Operations and Maintenance ( NSOM ) program;
- We provide the U.S. Navy with comprehensive, end-to-end support for data, video and voice communications for over 700,000 users as a Tier One subcontractor under the Navy/Marine Corps Intranet ( NMCI ) program;
- We provide operations, maintenance and support services for the global communications and information systems network for the National Reconnaissance Office ( NRO ) under a program called Patriot ;
- We provide IT integration of installation, training, help desk, passport and configuration management services for the U.S. Department of State, Bureau of Consular Affairs in support of more than 230 U.S. embassies and consulates around the world;
- We provide system maintenance and engineering for the Defense Information Systems Agency ( DISA ) Crisis Management System;
- We design and manage systems that combine IP television ( IPTV ) and digital signage and IT infrastructure to create an advanced media workflow for an in-arena network for the Orlando Magic s new basketball arena; and
- We provide IT services, content delivery, hardware and software for a project in collaboration with Digital Display Networks, Inc. and ABC to create one of the largest digital out-of-home advertising networks in the world, 7-Eleven® TV, which has been installed in over 3,000 7-Eleven stores.

Examples of awards we received in fiscal 2011 include a contract, with a potential value of $77 million, by the U.S. Army Materiel Command ( AMC ) to provide IT infrastructure and follow-on operations and maintenance support for the relocation of the AMC Headquarters building to Huntsville, Alabama and a nine-year follow-on contract, with a potential value of CAD 273 million, by the Government of Canada to provide engineering services to support the avionics systems on the CF-18 Hornet fighter aircraft under the CF-18 Avionics Optimized Weapon System Support ( OWSS ) program. We also received a contract to install an advanced, digital, out-of-home and IPTV network for the new Madison Square Garden Transformation project that will include 1,100 arena displays to deliver a dynamic viewing experience to fans.

We also have key positions on a number of Indefinite Delivery/Indefinite Quantity ( IDIQ ) contracts for IT services, including as a prime contractor under the U.S. Air Force Network Centric Solutions ( NETCENTS ) contract and as a

prime contractor under the U.S. Army ITES-2S contract. Our ITES-2S task orders include the AMC Headquarters relocation example above and the migration and consolidation of the communications systems for nine U.S. Southern Command ( USSOUTHCOM ) buildings into a new headquarters complex.

*Managed Satellite and Terrestrial Communications Solutions:* We are a global provider of managed satellite and terrestrial communications solutions, specifically for remote and harsh environments including the energy, government and maritime industries. We own and operate a robust global infrastructure that includes teleports on six continents; five network operations centers running 24 hours per day, seven days per week; local presence in 23 countries; and over 275 global field service personnel supporting customer locations across North America, Central and South America, Europe, West Africa and Asia-Pacific. Our customers include Chevron, Diamond Offshore,

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ExxonMobil, Halliburton, MODEC, Shell, Transocean, KBR, Green Reefers, Gulf Offshore, Seatrans, Oceaneering, Subsea 7, the DoD, the Department of Homeland Security and other Federal civilian U.S. Government agencies, and in addition, we are a preferred supplier to the Schlumberger group. Our solutions include broadband Internet access, VOIP telephony, wideband networking and real-time video, delivered to customer sites around the world.

Our managed satellite and terrestrial communications solutions operations are the result of our combination in fiscal 2011 of (i) CapRock, a global provider of mission-critical, managed satellite communications services for the government, energy and maritime industries, which we acquired on July 30, 2010; (ii) Schlumberger GCS, a provider of satellite and terrestrial communications services for the worldwide energy industry, which we acquired on April 4, 2011; and (iii) the terrestrial network infrastructure assets of the government business of Core180, Inc. (the Core180 Infrastructure ) that we acquired in the third quarter of fiscal 2011, with (iv) our existing Maritime Communications Services operations.

Examples of awards we received in fiscal 2011 include the following:

- Four contracts to provide managed network services and more than 400 MHz of commercial satellite capacity to four separate U.S. Government agencies, under which the services provided will be used to support a range of missions, including airborne ISR, tactical field-deployed communications and continuity of operations;
- An option-year extension, with a potential value of $80 million, on the Defense Information Systems Network Access Transport Services ( DATS ) contract with the DISA;
- Three contracts from intelligence agency customers to provide satellite bandwidth, logistics and related communications services;
- A five-year contract with Schahin Brazil to provide data, voice and Internet service to three drilling ships operating in the Campos Basin;
- 14 task orders on the DISN Satellite Transmission Services Global ( DSTS-G ) and Future Commercial SATCOM Acquisition ( FCSA ) contracts, with a potential value of $150 million, to provide C-, Ku-, and X-band space segment capacity, monitoring and control, teleport services, and operations and maintenance to DoD agency customers operating in Asia, Europe, the United States and all major ocean regions;
- A three-year master service agreement, with a potential value of $58 million, to operate the Offshore Communications Backbone ( OCB ), a modular system of seafloor communications equipment for deep-ocean observation located in the eastern Mediterranean Sea; and
- A two-year contract from Odfjell Drilling in Norway for offshore satellite communications.

*Healthcare Solutions:* We provide enterprise intelligence solutions and services for government and commercial customers including systems integration, intelligent infrastructure, interoperability, imaging and other IT solutions. We are a leader in Federal healthcare IT integration, and we also offer commercial providers a full range of interoperability solutions, including IT infrastructure and management, clinical workflow and analytics, health information exchange, and imaging. Our products, systems and services help improve healthcare quality, safety, efficiency, cost and outcomes by ensuring that the right information travels, with security and privacy, to the right person, at the right time, on the right device, at the point of care.

For example, we developed under a contract from the Department of Health and Human Services ( HHS ) an open-source National Health Information Network ( NHIN ) CONNECT Gateway solution designed to enable seamless health information sharing among multiple Federal agencies and regional healthcare providers. We developed a multi-hospital military health network with image-sharing capabilities under the DoD Military Health System global Healthcare Artifact and Image Management Solution ( HAIMS ) program.

In fiscal 2011, we were one of eight companies in the large business category awarded the five-year Transformation Twenty-One Total Technology ( T4 ) IDIQ contracting vehicle from the Department of Veterans Affairs ( VA ) designed

to upgrade the VA s IT system and covering services that will streamline and modernize VA operations, including patient care delivery at more than 150 VA hospitals. We also were awarded a second VA contract vehicle, the Enhance the Veteran Experience and Access to HealthCare ( EVEAH ) blanket purchase agreement with a ceiling value of $199 million, and received initial task orders. After the close of fiscal 2011, we were awarded a contract from the VA for the Enterprise Management Foundation Federated Data Repository ( EMF FDR ) program to create a centralized network monitoring system that will provide the VA with a unified view of its critical infrastructure.

In addition, we have provided interoperability solutions for large-scale health information exchange enterprises such as the VA, the DoD and the Social Security Administration. We also have extended Federal interoperability solutions to the private sector where over half of all care is provided for active duty and retired service members. In

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fiscal 2011, we were awarded a four-year contract by the State of Florida Agency for Health Care Administration ( AHCA ) to implement a statewide health information exchange ( HIE ) that will improve the delivery and coordination of healthcare. As described under Item 1. Business Recent Acquisitions of this Report, we acquired Carefx during the fourth quarter of fiscal 2011. Carefx is a provider of interoperability workflow solutions for government and commercial healthcare providers, and its solution suite, Fusionfx, gives care providers a unified look at patient data and closes data gaps to ensure a more consistent, higher quality experience for the patient, reducing clinical errors and increasing individual productivity.

Also in fiscal 2011, we received an option year extension from the VA for healthcare imaging software and systems engineering services for the VistA imaging application, and we announced a joint venture with Johns Hopkins Medicine to focus on developing next-generation medical image management solutions to be deployed by the Johns Hopkins Health System and later, to hospitals and healthcare providers around the United States.

*Cyber Integrated Solutions:* We are working closely with government and commercial organizations in introducing a new offering to help them move part or all of their operations to a trusted cloud computing environment in an effective and efficient manner by using our cyber integration capabilities to bring together an innovative combination of patented trust methodologies, industry-leading technologies, partnerships with market leaders and world-class infrastructure.

For example, the Harris Trusted Enterprise Cloud™ is a newly launched cloud application hosting system that we offer as a unique Infrastructure-as-a-Service ( IaaS ) designed to enable clients to extend and enhance their IT operations in order to improve operational agility and reduce costs. Our Trusted Enterprise Cloud solution is delivered via The Harris Cyber Integration Center™, located in our over 100,000-square-foot advanced data center facility in the Mid-Atlantic region. The center is an innovative cloud node that was designed from the ground up to offer technology and services that meet the highest industry and government standards for reliability and security.

Key differentiators in these offerings are our proprietary trust enablement technologies, including the Global Trust Repository and the Enterprise Trust Server, which provide continuous monitoring, assurance, and attestation that the software and configurations in the cloud computing environment are deployed and operating according to specification and have not been compromised, and which we also may license to partners and customers. In fiscal 2011, we announced a strategic alliance with EMC Corporation and the Virtual Computing Environment Company ( VCE ) to jointly develop and market new trusted multi-tenant cloud solutions to further accelerate the adoption of cloud computing IaaS by government and commercial enterprises.

In pursuing these new, high-value applications for our capabilities and technologies, we are seeking to leverage our experience as an industry leader in cyber security. For example, we have been using state-of-the-art technology assessment techniques and architecture engineering for decades to define and operate secure networks supporting nationally critical programs, including three of the U.S. s largest, secure mission-critical networks the Federal Aviation Administration Telecommunications Infrastructure ( FTI ) program network, the Patriot program network and the NMCI program network. Our technology, countermeasures and monitoring capabilities safeguard vital information systems that support the critical missions of U.S. military, intelligence and Federal law enforcement customers.

*Broadcast and New Media Solutions:* We offer hardware and software products, systems and services that provide interoperable workflow solutions for broadcast, cable, satellite and out-of-home networks worldwide. The Harris ONE™ solution brings together highly integrated and cost-effective products that enable advanced media workflows for emerging content delivery business models. We are supporting customers as they upgrade media operations to digital and high definition ( HD ) services from analog and standard definition ( SD ) services and as they expand services for HD television ( HDTV ), IPTV, video-on-demand and interactive TV. We serve the global digital and

analog media markets, providing infrastructure and networking products and solutions; media and server systems; and television and radio transmission equipment and systems.

Our infrastructure and networking solutions offerings enable media companies to streamline workflow from production through transmission. We offer a portfolio of advanced products, including signal processors, routers, master control and branding systems, network monitoring and control software, test and measurement instruments, multi-image display processors, broadcast graphics, and highly differentiated network access and multiplex platforms.

Our media and server systems offerings enable customers to manage their digital media workflow and storage, as well as other key facets of an increasingly file-based broadcast environment, through our portfolio of software solutions for advertising, media management (traffic, billing and program scheduling), digital signage, broadband, digital asset management and play-out automation, and our family of scalable, interoperable video servers.

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We develop, manufacture and supply television and radio transmission systems for delivery of rich media over wireless broadcast terrestrial networks on a worldwide basis, including mobile TV applications. We can provide single products or end-to-end systems, including nationwide networks with hundreds of transmitters.

In addition, supporting digital out-of-home advertising is an emerging growth area, and our solutions enable advertisers to reach consumers on the move. We believe new systems will be increasingly deployed to deliver rich media content in live sports and entertainment venues and in retail establishments. For example, we helped design the system of IPTV, digital signage and IT infrastructure to create an in-arena network for the Orlando Magic s new basketball arena, and we are providing hardware and software supporting content delivery for a project in collaboration with Digital Display Networks, Inc. and ABC to create one of the largest digital out-of-home advertising networks in the world, 7-Eleven TV, which has been installed in over 3,000 7-Eleven stores. In fiscal 2011, we installed our first digital signage system in the United Kingdom at Harrods, a luxury department store, and began designing an advanced, digital, out-of-home and IPTV network for the new Madison Square Garden Transformation project that will include 1,100 arena displays to deliver a dynamic viewing experience to fans.

*Revenue, Operating Income and Backlog:* Revenue for the Integrated Network Solutions segment increased 33.7 percent to $1,986 million in fiscal 2011 compared with $1,485 million in fiscal 2010, and was $1,476 million in fiscal 2009. Segment operating income decreased 18 percent to $70.2 million in fiscal 2011 compared with $85.3 million in fiscal 2010, and there was an operating loss of $133.6 million in fiscal 2009, which included a $255.5 million non-cash charge for impairment of goodwill and other long-lived assets. The Integrated Network Solutions segment contributed 34 percent of our total revenue in fiscal 2011 compared with 29 percent in both fiscal 2010 and fiscal 2009. The percentage of this segment s revenue that was derived outside of the United States was approximately 30 percent in fiscal 2011 compared with 24 percent in both fiscal 2010 and fiscal 2009.

The following information pertains to the portions of this segment s IT services, managed satellite and terrestrial communications solutions and healthcare solutions operations in connection with U.S. Government programs ( Integrated Network Solutions government business ):

- Some of the more significant programs in fiscal 2011 included NETCENTS, Patriot, NMCI, DATS and NSOM;
- The largest program by revenue in a particular fiscal year represented approximately 7 percent of this segment s total revenue in fiscal 2011 compared with approximately 10 percent in fiscal 2010 and fiscal 2009;
- The five largest programs by revenue in a particular fiscal year represented approximately 27 percent of this segment s total revenue in fiscal 2011 compared with approximately 37 percent in fiscal 2010 and approximately 36 percent in fiscal 2009;
- U.S. Government customers, including the DoD and intelligence and civilian agencies, whether directly or through prime contractors, accounted for approximately 55 percent of this segment s total revenue in fiscal 2011 compared with approximately 64 percent in fiscal 2010 and approximately 57 percent in fiscal 2009.
- For Integrated Network Solutions government business, in fiscal 2011, approximately 78 percent of revenue was under direct contracts with customers and approximately 22 percent of revenue was under contracts with prime contractors, compared with approximately 61 percent of revenue under direct contracts with customers and approximately 39 percent of revenue under contracts with prime contractors in fiscal 2010 and approximately 58 percent of revenue under direct contracts with customers and approximately 42 percent of revenue under contracts with prime contractors in fiscal 2009.

For a general description of our U.S. Government contracts and subcontracts, including a discussion of revenue generated from cost-reimbursable versus fixed-price contracts, see Item 1. Business Principal Customers; Government Contracts of this Report.

In general, this segment s domestic products are sold and serviced directly to customers through its sales organization and through established distribution channels. Internationally, this segment markets and sells its products and services through regional sales offices and established distribution channels. See Item 1. Business International Business of this Report.

The funded backlog of unfilled orders for this segment was $1,064 million at July 1, 2011 compared with $649 million at July 2, 2010 and $632 million at July 3, 2009. Unfunded backlog for this segment was $1,295 million at July 1, 2011 compared with $772 million at July 2, 2010 and $780 million at July 3, 2009. We expect to fill approximately 87 percent of this funded backlog during fiscal 2012, but we can give no assurance of such fulfillment. Additional information regarding funded and unfunded backlog is provided under Item 1. Business Funded and Unfunded Backlog of this Report. For a discussion of certain risks affecting this segment,

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including risks relating to our U.S. Government contracts and subcontracts, see Item 1. Business Principal Customers; Government Contracts, Item 1A. Risk Factors and Item 3. Legal Proceedings of this Report.

***Government Communications Systems***

Government Communications Systems conducts advanced research and produces, integrates and supports highly reliable, net-centric communications and information technology that solve the mission-critical challenges of our civilian, defense and intelligence government customers, primarily the U.S. Government, and is comprised of (i) Civil Programs, (ii) Defense Programs and (iii) National Intelligence Programs.

*Civil Programs:* We provide highly reliable, mission-critical communications and information processing systems that meet the most demanding needs of customers in the U.S. civilian Federal market, including the Federal Aviation Administration ( FAA ) and the National Oceanic and Atmospheric Administration ( NOAA ). We use our ability to implement and manage large, complex programs that integrate secure, advanced communications and information processing technologies in order to improve productivity and information processing and to achieve cost savings for our customers. Our networks and information systems for large-scale, geographically dispersed enterprises offer advanced capabilities for collecting, processing, analyzing, interpreting, displaying, distributing, storing and retrieving data. We are a leader in satellite ground data processing and mission command-and-control ( C2 ) systems. Our ground data processing systems consist of complex suites of hardware and software that receive sensor data from satellites, turning it into useable information. Our C2 systems feature COTS design and high levels of flexibility, are designed for government and commercial applications, and support single-satellite missions as well as some of the largest and most complex satellite fleets deployed.

For example, we are the prime contractor and system architect under a 15-year contract awarded in July 2002, with a potential value of $3.5 billion, for the FTI program to integrate, modernize, operate and maintain the communications infrastructure for the U.S. air traffic control system. FTI is a modern, secure and efficient network providing voice, data and video communications deployed at more than 4,500 FAA sites across the United States to enhance network efficiency, reliability and security and to improve service while reducing operating costs. We designed and deployed the FTI network and it is fully operational. The FTI network consists of the Operations Network, the Mission Support Network, the Satellite Network and the Microwave Network. The supporting infrastructure includes the Network Operations Control Centers ( NOCCs ) and Security Operations Control Centers ( SOCCs ). The FTI program has completed its equipment build-out phase and is transitioning to its telecommunication services and maintenance phase.

Other FAA programs under which we have developed solutions include the following:

- The Operational and Supportability Implementation System ( OASIS ), for which we are the prime contractor and which provides integrated weather briefing and flight planning capabilities for preflight weather briefings and in-flight updates for Alaska s general aviation community. In fiscal 2011, we were awarded a follow-on contract by the FAA to upgrade and manage the OASIS system;
- The Weather and Radar Processor ( WARP ) system, a meteorological data processing system serving the en-route air traffic control environment that generates radar mosaic data for air traffic controller displays and delivers weather data to critical subsystems within the National Airspace System ( NAS ). In fiscal 2010, we were awarded a six-year contract, with a potential value of $97 million, by the FAA under the WARP Maintenance and Sustainment Services II program to continue to maintain the WARP system by providing hardware and software maintenance, depot support, on-site field support and engineering services at 22 operational FAA facilities in the United States;
- The Voice Switching and Control System ( VSCS ), which provides the critical air-to-ground communications links between en-route aircraft and air traffic controllers throughout the continental United States.; and

The satellite-based Alaskan NAS Interfacility Communications System ( ANICS ), which links the Alaskan Air Route Traffic Control Center in Anchorage with 64 FAA facilities throughout the region. After the close of fiscal 2011, we were selected as the prime contractor under the Alaska Satellite Telecommunications Infrastructure ( ASTI ) program for a 10-year contract, with a potential value of $85 million, from the FAA to upgrade the ANICS network by replacing and upgrading components and providing a new network management system, system security enhancements, logistics support and training in order to increase network performance and availability while reducing the FAA s operating and maintenance costs.

Another example of our capabilities relates to NOAA s Geostationary Operational Environmental Satellite Series R ( GOES-R ) Ground and Antenna Segment weather programs. Under two ten-year contracts, with an aggregate potential value of approximately $1 billion (including change orders), we are providing a complete,

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end-to-end solution in which we will design, develop, deploy and operate the ground segment system that will receive and process satellite data and generate and distribute weather data to more than 10,000 direct users, as well as providing the command and control of operational satellites. We also are supplying antennas and control systems that will provide communications links for command, telemetry and sensor data, as well as the communications link to direct data users. The new antennas will operate with next-generation GOES-R satellites and will be compatible with existing GOES-N through GOES-P satellites.

*Defense Programs:* We develop, supply and integrate communications and information processing products, systems and networks for a diverse base of aerospace, terrestrial and maritime applications supporting DoD missions, and we are committed to delivering leading-edge technologies that support the ongoing transformations of military communications for U.S. and international customers. Our technologies are providing advanced mobile wideband networking capabilities to assure timely and secure network-centric capabilities across strategic, operational and tactical boundaries in support of the DoD s full spectrum of warfighting, intelligence and logistics missions. Our major technology capabilities include advanced ground control systems and SATCOM terminals for transportable ground, fixed-site and shipboard applications; flat-panel, phased-array and single-mission antennas; advanced aviation electronics for military jets, including digital maps, modems, sensors, data buses, fiber optics and microelectronics; and high-speed data links and data networks for wireless communications.

For example, our mobile ad hoc networking capability allows the military to take its communications infrastructure with it, creating mobile, robust, self-forming and self-healing networks across the battlefield. Our Highband Networking Radio[tm] ( HNR ) provides secure, wireless, high-bandwidth, on-the-move communications among users of widely dispersed local area networks ( LANs ) by establishing line-of-sight connectivity using directive beam antenna technology and a Harris-developed waveform that automatically selects the best communications path available, allowing seamless communication of voice, video and data to all levels of command. We announced in fiscal 2009 that our HNR system was deployed to the U.S. Army 101st Airborne Division (Air Assault) 2nd Brigade Combat Team in Iraq, which was the first combat deployment of the HNR system. In fiscal 2010, we were awarded a contract to provide HNRs to form the communications backbone of the U.S. Army s new Integrated Air and Missile Defense Battle Command System ( IBCS ). We are currently producing and delivering HNRs under the U.S. Army s Warfighter Information Network-Tactical ( WIN-T ) program, and also we were awarded a contract in the fourth quarter of fiscal 2011 from the U.S. Army for rapid deployment of HNRs into Afghanistan.

In fiscal 2011, we also introduced Knighthawk[tm] 3G, a ruggedized, highly mobile tactical base station that enables warfighters on the move to maintain third generation ( 3G ) cellular services in locations with limited or no cellular connectivity. Knighthawk 3G is a customizable cellular network in a box compatible with COTS equipment, including smartphones and tablets.

Examples of ongoing programs for us include the following:

- The U.S. Army Modernization of Enterprise Terminals ( MET ) program, for which we are developing, under a ten-year contract, with a potential value of $600 million, awarded to us in fiscal 2009, next-generation large satellite earth stations to provide the worldwide backbone for high-priority military communications and missile defense systems and to support IP and Dedicated Circuit Connectivity within the Global Information Grid ( GIG ), providing critical reach-back capability for the warfighter;
- The F-35 Joint Strike Fighter ( F-35 ), F-22 Raptor and F/A-18E/F Super Hornet aircraft platform programs, for which we provide high-performance, advanced avionics such as high-speed fiber optic networking and switching, intra-flight data links, image processing, digital map software and other electronic components, including Multifunction Advanced Data Link ( MADL ) communications subsystems primarily intended for stealth platform air-to-air communications and which allow F-35s to communicate in a stealth fashion with other network nodes without revealing their positions;

The WIN-T program for the U.S. Army, for which we are designing and testing the wireless transmission system architecture, applying our proven enabling technologies for wireless on-the-move communications, including phased arrays and high-speed secure wireless network solutions such as our HNR system; and
The Commercial Broadband Satellite Program ( CBSP ) for the U.S. Navy, for which we supply broadband multiband SATCOM terminals that support essential mission requirements and provide enhanced morale-related communications services such as high-speed Internet access and video communications.

*National Intelligence Programs:* A significant portion of this business involves classified programs. While classified programs generally are not discussed in this Report, the operating results relating to classified programs are included in our Consolidated Financial Statements. We believe that the business risks associated with those programs do not differ materially from the business risks of other U.S. Government programs.

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We are a major developer, supplier and integrator of communications and information processing products, systems and networks for a diverse base of U.S. Intelligence Community programs, and we support the ongoing transformation of the Intelligence Community into a more collaborative enterprise. Serving primarily national intelligence and security agency customers, including NSA, NRO and the National Geospatial-Intelligence Agency ( NGA ), we provide integrated ISR solutions that improve situational awareness, data collection accuracy and product analysis by correlating near real-time mission data and intelligence reference data for display and analysis by strategic and tactical planners and decision makers. Our ISR systems help to integrate information across the analyst workflow, accelerating the movement of information that has been collected and processed. We strive to produce innovative ISR solutions that provide our customers with information dominance for battle-space superiority.

For example, our image processing capabilities extend from algorithm development through delivery of operations systems, and we are providing advanced image exploitation and dissemination solutions for ISR applications by advancing image processing, image data fusion, display technologies and digital product generation techniques. Those technologies range from new techniques for merging and displaying imagery to automated techniques for image screening, cueing and remote visualization. Also, our mapping and visualization capabilities provide complete, accurate and timely knowledge about the threat, the terrain, the status and the location of single or multiple opposing and friendly forces and their support by utilizing data, pictures, voice and video drawn from vast storage banks or from real-time input which can be transmitted around the world in fractions of a second. In addition, we have industry-leading capabilities in the architecture, design and development of highly specialized satellite antennas, structures, phased arrays and on-board processors, which are used to enable next-generation satellite systems to provide the U.S. military and intelligence communities with strategic and tactical advantages. We are also a leader in the design and development of antenna and reflector technologies for commercial space telecommunications applications. Further, our capabilities include developing and supplying state-of-the-art wireless voice and data products and solutions, including surveillance and tracking equipment, spanning vehicular, man-portable, airborne and system-level applications for the U.S. Intelligence Community and law enforcement community. We also offer cyber security solutions and enterprise analytics, including an array of mission-enabling engineering solutions that address both offensive and defensive IT security challenges, providing critical support to Federal law enforcement and other U.S. Government agencies.

During fiscal 2011, we were awarded a number of new contracts and follow-on contracts under classified programs. We also were awarded a 30-month contract by Sierra Nevada Corporation to design, build and integrate the synthetic aperture radar ( SAR ) satellite payload as part of NASA s Rapid Response Space Works and Modular Space Vehicles program; a three-year contract from Boeing Space and Intelligence Systems to build Ka-band antennas for three Inmarsat-5 satellites; and a three-year contract from Boeing Space and Intelligence Systems for a 22-meter deployable L-band reflector to support military and civil communications in Mexico.

In addition, our full motion video ( FMV ) initiatives support the ISR market for FMV products and systems, including all U.S. Government, international military and Federal law enforcement activities for the Harris Full Motion Video Asset Management Engine ( FAME ) architecture and related technologies. FAME is a COTS-based collaborative platform that provides video, audio and metadata coding, video analytics, and archive capabilities all within a unified digital asset management solution giving our customers greater visibility and better access to increasing amounts of digital ISR information, including higher-resolution FMV, motion imagery and visual imagery, such as that collected from manned and unmanned aircraft and ground-based sensors.

*Revenue, Operating Income and Backlog:* Revenue for the Government Communications Systems segment increased 1.7 percent to $1,777 million in fiscal 2011 compared with $1,747 million in fiscal 2010, and was $1,864 million in fiscal 2009. Segment operating income was $227.0 million in fiscal 2011 compared with $227.4 million in fiscal 2010 and $199.2 million in fiscal 2009. This segment contributed 30 percent of our total revenue in fiscal 2011 compared with 34 percent in fiscal 2010 and 37 percent in fiscal 2009. In fiscal 2011, approximately 70 percent of revenue for

this segment was under direct contracts with customers and approximately 30 percent of revenue was under contracts with prime contractors, compared with approximately 73 percent of revenue under direct contracts with customers and approximately 27 percent of revenue under contracts with prime contractors in fiscal 2010 and approximately 72 percent of revenue under direct contracts with customers and approximately 28 percent of revenue under contracts with prime contractors in fiscal 2009. Some of this segment s more significant programs in fiscal 2011 included FTI, GOES-R, F-35, MET, WIN-T and various classified and space communications systems programs. This segment s largest program by revenue in a particular fiscal year represented approximately 14 percent of this segment s revenue in fiscal 2011 compared with approximately 14 percent in fiscal 2010 and approximately 19 percent in fiscal 2009. This segment s ten largest programs by revenue in a particular fiscal year represented approximately 46 percent of this segment s revenue in fiscal 2011,

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compared with approximately 46 percent in fiscal 2010 and approximately 50 percent in fiscal 2009. In fiscal 2011, this segment had a diverse portfolio of approximately 200 programs. U.S. Government customers, including the DoD and intelligence and civilian agencies, as well as foreign military sales through the U.S. Government, whether directly or through prime contractors, accounted for approximately 97 percent of this segment s total revenue in fiscal 2011 compared with approximately 94 percent in both fiscal 2010 and fiscal 2009. For a general description of our U.S. Government contracts and subcontracts, including a discussion of revenue generated from cost-reimbursable versus fixed-price contracts, see Item 1. Business Principal Customers; Government Contracts of this Report.

The funded backlog of unfilled orders for this segment was $800 million at July 1, 2011 compared with $848 million at July 2, 2010 and $762 million at July 3, 2009. Unfunded backlog for this segment was $3,193 million at July 1, 2011 compared with $2,504 million at July 2, 2010 and $3,223 million at July 3, 2009. We expect to fill approximately 81 percent of this funded backlog during fiscal 2012, but we can give no assurance of such fulfillment. Additional information regarding funded and unfunded backlog is provided under Item 1. Business Funded and Unfunded Backlog of this Report. For a discussion of certain risks affecting this segment, including risks relating to our U.S. Government contracts and subcontracts, see Item 1. Business Principal Customers; Government Contracts, Item 1A. Risk Factors and Item 3. Legal Proceedings of this Report.

**International Business**

Revenue from products and services exported from the United States (including foreign military sales) or manufactured or rendered abroad was $1,307.1 million (22 percent of our total revenue) in fiscal 2011 compared with $724.6 million (14 percent of our total revenue) in fiscal 2010 and $1,016.6 million (20 percent of our total revenue) in fiscal 2009. Essentially all of the international sales are derived from our RF Communications and Integrated Network Solutions segments. Direct export sales are primarily denominated in U.S. Dollars, whereas sales from foreign subsidiaries are generally denominated in the local currency of the subsidiary. Financial information regarding our domestic and international operations is contained in *Note 25: Business Segments* in the Notes and is incorporated herein by reference.

Our principal international manufacturing facilities are located in Canada and the United Kingdom. The majority of our international marketing activities are conducted through subsidiaries which operate in Canada, Europe, Central and South America, and Asia. We have also established international marketing organizations and several regional sales offices. Reference is made to Exhibit 21 Subsidiaries of the Registrant of this Report for further information regarding our international subsidiaries.

We utilize indirect sales channels, including dealers, distributors and sales representatives, in the marketing and sale of some lines of products and equipment, both domestically and internationally. These independent representatives may buy for resale or, in some cases, solicit orders from commercial or governmental customers for direct sales by us. Prices to the ultimate customer in many instances may be recommended or established by the independent representative and may be above or below our list prices. Our dealers and distributors generally receive a discount from our list prices and may mark up those prices in setting the final sales prices paid by the customer. Revenue from indirect sales channels in fiscal 2011 represented 10 percent of our total revenue and approximately 40 percent of our international revenue, compared with revenue from indirect sales channels in fiscal 2010 representing 6 percent of our total revenue and approximately 35 percent of our international revenue, and revenue from indirect sales channels in fiscal 2009 representing 11 percent of our total revenue and approximately 55 percent of our international revenue.

Fiscal 2011 international revenue came from a large number of countries, and no such single country accounted for more than 4 percent of our total revenue. Some of our exports are paid for by letters of credit, with the balance carried either on an open account or installment note basis. Advance payments, progress payments or other similar payments received prior to or upon shipment often cover most of the related costs incurred. Significant foreign government contracts generally require us to provide performance guarantees. In order to stay competitive in international markets,

we also sometimes enter into recourse and vendor financing arrangements to facilitate sales to certain customers.

The particular economic, social and political conditions for business conducted outside the United States differ from those encountered by domestic businesses. Our management believes that the overall business risk for the international business as a whole is somewhat greater than that faced by our domestic operations as a whole. A description of the types of risks to which we are subject in international business is contained in Item 1A. Risk Factors of this Report. Nevertheless, in the opinion of our management, these risks are partially mitigated by the diversification of the international business and the protection provided by letters of credit and advance payments.

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**Competition**

We operate in highly competitive markets that are sensitive to technological advances. Although successful product and systems development is not necessarily dependent on substantial financial resources, many of our competitors in each of our businesses are larger than we are and can maintain higher levels of expenditures for research and development. In each of our businesses we concentrate on the market opportunities that our management believes are compatible with our resources, overall technological capabilities and objectives. Principal competitive factors in these businesses are product quality and reliability; technological capabilities; service; past performance; ability to develop and implement complex, integrated solutions; ability to meet delivery schedules; the effectiveness of third-party sales channels in international markets; and cost-effectiveness. Within the IT services market, there is intense competition among many companies. The ability to compete in the IT services market depends on a number of factors, including the capability to deploy skilled professionals at competitive prices across the diverse spectrum of the IT services market.

In the RF Communications segment, principal competitors include European Aeronautic Defence and Space Company N.V. ( EADS ), General Dynamics, ITT Industries, Motorola Solutions, Raytheon, Rohde & Schwarz, Tadiran and Thales.

In the Integrated Network Solutions segment, principal competitors include Avid, Computer Sciences Corporation, Evertz, EVS Corporation, General Dynamics, Globecomm, Harmonic, Hewlett Packard, Lockheed Martin, ManTech, Miranda, MTN, NCI Information Systems, NEC, Northrop Grumman, Omnibus, Raytheon, RigNet, Rohde & Schwarz, Sony Broadcast, Stratos, TCS, Technicolor, Tektronix/Danaher, Telos Corporation, Thomson, and Vizada, as well as other smaller companies and divisions of large companies.

In the Government Communications Systems segment, principal competitors include BAE Systems, Boeing, General Dynamics, L-3 Communications, Lockheed Martin, Northrop Grumman, Raytheon and Rockwell Collins. We frequently partner or are involved in subcontracting and teaming relationships with companies that are, from time to time, competitors on other programs.

**Principal Customers; Government Contracts**

Sales to U.S. Government customers, including the DoD and intelligence and civilian agencies, as well as foreign military sales through the U.S. Government, whether directly or through prime contractors, were 72 percent of our total revenue in fiscal 2011 compared with 75 percent in fiscal 2010 and 74 percent in fiscal 2009. No other customer accounted for more than 1 percent of our total revenue in fiscal 2011. Additional information regarding customers for each of our segments is provided under Item 1. Business Description of Business by Segment of this Report. Our U.S. Government sales are predominantly derived from contracts with agencies of, and prime contractors to, the U.S. Government. Most of the sales of our Government Communications Systems segment and of the portions of our Integrated Networks Solutions segment s IT services, managed satellite and terrestrial communications solutions and healthcare solutions operations in connection with U.S. Government programs are made directly or indirectly to the U.S. Government under contracts or subcontracts containing standard government contract clauses providing for redetermination of profits, if applicable, and for termination for the convenience of the U.S. Government or for default based upon performance.

Our U.S. Government contracts and subcontracts include both cost-reimbursable and fixed-price contracts. Governmentwide Acquisition Contracts ( GWACs ) and IDIQ contracts, which can include task orders for each contract type, require us to compete both for the initial contract and then for individual task or delivery orders under such contracts.

Our U.S. Government cost-reimbursable contracts provide for the reimbursement of allowable costs plus the payment of a fee. Our U.S. Government cost-reimbursable contracts fall into three basic types: (i) cost-plus fixed-fee contracts,

which provide for the payment of a fixed fee irrespective of the final cost of performance; (ii) cost-plus incentive-fee contracts, which provide for increases or decreases in the fee, within specified limits, based upon actual results compared with contractual targets relating to factors such as cost, performance and delivery schedule; and (iii) cost-plus award-fee contracts, which provide for the payment of an award fee determined at the discretion of the customer based upon the performance of the contractor against pre-established performance criteria. Under our U.S. Government cost-reimbursable contracts, we are reimbursed periodically for allowable costs and are paid a portion of the fee based on contract progress. Some overhead costs have been made partially or wholly unallowable for reimbursement by statute or regulation. Examples are certain merger and acquisition costs, lobbying costs, charitable contributions and certain litigation defense costs.

Our U.S. Government fixed-price contracts are either firm fixed-price contracts or fixed-price incentive contracts. Under our U.S. Government firm fixed-price contracts, we agree to perform a specific scope of work for a

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fixed price and, as a result, benefit from cost savings and carry the burden of cost overruns. Under our U.S. Government fixed-price incentive contracts, we share with the U.S. Government both savings accrued from contracts performed for less than target costs as well as costs incurred in excess of targets up to a negotiated ceiling price (which is higher than the target cost), but carry the entire burden of costs exceeding the negotiated ceiling price. Accordingly, under such incentive contracts, profit may also be adjusted up or down depending upon whether specified performance objectives are met. Under our U.S. Government firm fixed-price and fixed-price incentive contracts, we usually receive either milestone payments equaling 100 percent of the contract price or monthly progress payments from the U.S. Government in amounts equaling 80 percent of costs incurred under the contract. The remaining amounts, including profits or incentive fees, are billed upon delivery and final acceptance of end items and deliverables under the contract. Our U.S. Government fixed-price contracts generally have higher profit margins than our U.S. Government cost-reimbursable contracts. Our production contracts are mainly fixed-price contracts, and development contracts are generally cost-reimbursable contracts.

As stated above, U.S. Government contracts are terminable for the convenience of the U.S. Government, as well as for default based on performance. Companies supplying goods and services to the U.S. Government are dependent on Congressional appropriations and administrative allotment of funds and may be affected by changes in U.S. Government policies resulting from various military, political, economic and international developments. Long-term U.S. Government contracts and related orders are subject to cancellation if appropriations for subsequent performance periods become unavailable. Under contracts terminable for the convenience of the U.S. Government, a contractor is entitled to receive payments for its allowable costs and, in general, the proportionate share of fees or earnings for the work done. Contracts that are terminable for default generally provide that the U.S. Government pays only for the work it has accepted and may require the contractor to pay for the incremental cost of reprocurement and may hold the contractor liable for damages. In many cases, there is also uncertainty relating to the complexity of designs, necessity for design improvements and difficulty in forecasting costs and schedules when bidding on developmental and highly sophisticated technical work. Under many U.S. Government contracts, we are required to maintain facility and personnel security clearances complying with DoD and other Federal agency requirements. For further discussion of risks relating to U.S. Government contracts, see Item 1A. Risk Factors and Item 3. Legal Proceedings of this Report.

**Funded and Unfunded Backlog**

Our total company-wide funded and unfunded backlog was approximately $7,786 million at July 1, 2011 compared with approximately $6,526 million at July 2, 2010 and $6,317 million at July 3, 2009. The funded portion of this backlog was approximately $3,358 million at July 1, 2011 compared with approximately $3,250 million at July 2, 2010 and $2,315 million at July 3, 2009. The determination of backlog involves substantial estimating, particularly with respect to customer requirements contracts and development and production contracts of a cost-reimbursable or incentive nature.

We define funded backlog as unfilled firm orders for products and services for which funding has been authorized and, in the case of U.S. Government agencies, appropriated. We define unfunded backlog as primarily unfilled firm contract value for which funding has not yet been authorized or, in the case of U.S. Government agencies, appropriated, including the value of contract options in cases of material contracts that have options we believe are probable of being exercised. We do not include potential task or delivery orders under IDIQ contracts in our backlog. In fiscal 2012, we expect to fill approximately 75 percent of our total funded backlog as of July 1, 2011. However, we can give no assurance of such fulfillment or that our funded backlog will become revenue in any particular period, if at all. Backlog is subject to delivery delays and program cancellations, which are beyond our control. Additional information with regard to the backlog of each of our segments is provided under Item 1. Business Description of Business by Segment of this Report.

**Research, Development and Engineering**

Research, development and engineering expenditures totaled approximately $983 million in fiscal 2011, $1,047 million in fiscal 2010 and $1,003 million in fiscal 2009. Company-sponsored research and product development costs, which included research and development for commercial products and services and independent research and development related to government products and services, as well as concept formulation studies and bid and proposal efforts, were approximately $336 million in fiscal 2011, $326 million in fiscal 2010 and $244 million in fiscal 2009. A portion of our independent research and development costs are allocated among contracts and programs in process under U.S. Government contractual arrangements. Company-sponsored research and product development costs not otherwise allocable are charged to expense when incurred. The portion of total research, development and engineering expenditures that was not company-sponsored was funded by the U.S. Government and is included in our revenue. Customer-sponsored research and development was $647 million

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in fiscal 2011, $721 million in fiscal 2010 and $759 million in fiscal 2009. Company-sponsored research is directed to the development of new products and services and to building technological capability in selected communications and electronic systems markets. U.S. Government-funded research helps strengthen and broaden our technical capabilities. All of our segments maintain their own engineering and new product development departments, with scientific assistance provided by advanced-technology departments. As of July 1, 2011, we employed approximately 7,100 engineers and scientists and are continuing efforts to make the technologies developed in any of our operating segments available for all other operating segments.

**Patents and Other Intellectual Property**

We consider our patents and other intellectual property, in the aggregate, to constitute an important asset. We routinely apply for and own a large and valuable portfolio of patents, trade secrets, know-how, confidential information, trademarks, copyrights and other intellectual property. We also license intellectual property to and from third parties. As of July 1, 2011, we held approximately 950 U.S. patents and 850 foreign patents, and had approximately 500 U.S. patent applications pending and 1,140 foreign patent applications pending. Unpatented research, development and engineering skills also make an important contribution to our business. While our intellectual property rights in the aggregate are important to our business and the operations of our operating segments, we do not consider our business or any operating segment to be materially dependent upon any single patent, license or other intellectual property right, or any group of related patents, licenses or other intellectual property rights. We are engaged in a proactive patent licensing program and have entered into a number of licenses and cross-license agreements, some of which generate royalty income. Although existing license agreements have generated income in past years and may do so in the future, there can be no assurances we will enter into additional income-producing license agreements. From time to time we engage in litigation to protect our patents and other intellectual property. Any of our patents, trade secrets, trademarks, copyrights and other proprietary rights could be challenged, invalidated or circumvented, or may not provide competitive advantages. For further discussion of risks relating to intellectual property, see Item 1A. Risk Factors of this Report. With regard to patents relating to our Government Communications Systems segment, the U.S. Government often has an irrevocable, non-exclusive, royalty-free license, pursuant to which the U.S. Government may use or authorize others to use the inventions covered by such patents. Pursuant to similar arrangements, the U.S. Government may consent to our use of inventions covered by patents owned by other persons. Numerous trademarks used on or in connection with our products are also considered to be a valuable asset.

**Environmental and Other Regulations**

Our facilities and operations are subject to numerous domestic and international laws and regulations designed to protect the environment, particularly with regard to wastes and emissions. The applicable environmental laws and regulations are common within the industries and markets in which we operate and serve. We believe that we have complied with these requirements and that such compliance has not had a material adverse effect on our results of operations, financial condition or cash flows. Based upon currently available information, we do not expect expenditures over the next several years to protect the environment and to comply with current environmental laws and regulations, as well as to comply with current and pending climate control legislation, regulation, treaties and accords, to have a material impact on our competitive position or financial condition, but we can give no assurance that such expenditures will not exceed current expectations. If future treaties, laws and regulations contain more stringent requirements than presently anticipated, actual expenditures may be higher than our present estimates of those expenditures. We have installed waste treatment facilities and pollution control equipment to satisfy legal requirements and to achieve our waste minimization and prevention goals. We did not spend material amounts on environmental capital projects in fiscal 2011, fiscal 2010 or fiscal 2009. A portion of our environmental expenditures relates to discontinued operations for which we have retained certain environmental liabilities. We currently expect that amounts to be spent for environmental-related capital projects will not be material in fiscal 2012. These amounts may increase in future years. Additional information regarding environmental and regulatory matters is set forth in Item 3. Legal Proceedings of this Report and in *Note 1: Significant Accounting Policies* in the Notes.

Electronic products are subject to governmental environmental regulation in a number of jurisdictions. Equipment produced by our Integrated Network Solutions segment, in particular, is subject to domestic and international requirements requiring end-of-life management and/or restricting materials in products delivered to customers, including the European Union s Directive 2002/96/EC on Waste Electrical and Electronic Equipment ( WEEE ) and Directive 2002/95/EC on the Restriction of the use of certain Hazardous Substances in Electrical and Electronic Equipment ( RoHS ), as amended. Other jurisdictions have adopted similar legislation. Such requirements typically are not applicable to most equipment produced by our Government Communications Systems

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and RF Communications segments. We believe that we have complied with such rules and regulations, where applicable, with respect to our existing products sold into such jurisdictions. We intend to comply with such rules and regulations with respect to our future products.

Broadcast and wireless communications (whether TV, radio, satellite or telecommunications) are also subject to governmental regulation. Equipment produced by our Integrated Network Solutions and RF Communications segments, in particular, is subject to domestic and international requirements to avoid interference among users of radio and television frequencies and to permit interconnection of telecommunications equipment. Additionally, our managed satellite and terrestrial communications solutions operations hold licenses for very small aperture terminals ( VSATs ) and satellite earth stations, which authorize operation of networks and teleports. We are also required to comply with technical operating and licensing requirements that pertain to our wireless licenses and operations. We believe that we have complied with such rules and regulations and licenses with respect to our existing products and services, and we intend to comply with such rules and regulations and licenses with respect to our future products and services. Governmental reallocation of the frequency spectrum also could impact our business, financial condition and results of operations.

**Raw Materials and Supplies**

Because of the diversity of our products and services, as well as the wide geographic dispersion of our facilities, we use numerous sources for the wide array of raw materials (such as electronic components, printed circuit boards, metals and plastics) needed for our operations and for our products. We are dependent upon suppliers and subcontractors for a large number of components and subsystems and the ability of our suppliers and subcontractors to adhere to customer or regulatory materials restrictions and to meet performance and quality specifications and delivery schedules. In some instances, we are dependent upon one or a few sources, either because of the specialized nature of a particular item or because of local content preference requirements pursuant to which we operate on a given project. While we have been affected by financial and performance issues of some of our suppliers and subcontractors, we have not been materially adversely affected by the inability to obtain raw materials or products. On occasion, we have experienced component shortages from vendors as a result of natural disasters, or the RoHS environmental regulations in the European Union or similar regulations in other jurisdictions. These events or regulations may cause a spike in demand for certain electronic components (such as lead-free components), resulting in industry-wide supply chain shortages. To date, these component shortages have not had a material adverse effect on our business. For further discussion of risks relating to subcontractors and suppliers, see Item 1A. Risk Factors of this Report.

**Seasonality**

We do not consider any material portion of our business to be seasonal. Various factors can affect the distribution of our revenue between accounting periods, including the timing of contract awards and the timing and availability of U.S. Government funding, as well as the timing of product deliveries and customer acceptance.

**Employees**

We employed approximately 16,900 employees at the end of fiscal 2011 compared with approximately 15,800 employees at the end of fiscal 2010. Approximately 88 percent of our employees as of the end of fiscal 2011 were located in the United States. A significant number of employees in our Government Communications Systems segment possess a U.S. Government security clearance. We also utilize a number of independent contractors. None of our employees in the United States is represented by a labor union. In certain international subsidiaries, our employees are represented by workers councils or statutory labor unions. In general, we believe that our relations with our employees are good.

**Website Access to Harris Reports; Available Information**

*General.* We maintain an Internet website at *http://www.harris.com.* Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are available free of charge on our website as soon as reasonably practicable after these reports are electronically filed with or furnished to the Securities and Exchange Commission (the SEC ). We also will provide the reports in electronic or paper form free of charge upon request. We also make available free of charge on our website our annual report to shareholders and proxy statement. Our website and the information posted thereon are not incorporated into this Report or any current or other periodic report that we file with or furnish to the SEC. All reports we file with or furnish to the SEC also are available free of charge via the SEC s electronic data gathering and retrieval ( EDGAR ) system available through the SEC s website at *http://www.sec.gov*.

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Additional information relating to our businesses, including our operating segments, is set forth in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations of this Report.

*Corporate Governance Principles and Committee Charters.* We previously adopted Corporate Governance Principles, which are available on the Corporate Governance section of our website at *www.harris.com/harris/cg/*. In addition, the charters of each of the standing committees of our Board, namely, the Audit Committee, Business Conduct and Corporate Responsibility Committee, Corporate Governance Committee, Finance Committee and Management Development and Compensation Committee, are also available on the Corporate Governance section of our website. A copy of the charters is also available free of charge upon written request to our Secretary at Harris Corporation, 1025 West NASA Boulevard, Melbourne, Florida 32919.

*Certifications.* We have filed with the SEC the certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to this Report. In addition, an annual CEO certification was submitted by our Chief Executive Officer to the New York Stock Exchange ( NYSE ) in November 2010 in accordance with the NYSE s listing standards, which included a certification that he was not aware of any violation by Harris of the NYSE s corporate governance listing standards.

## ITEM 1A. RISK FACTORS.

We have described many of the trends and other factors that we believe could impact our business and future results in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations of this Report. In addition, our business, operating results, cash flows and financial condition are subject to, and could be materially adversely affected by, various risks and uncertainties, including, without limitation, those set forth below, any one of which could cause our actual results to vary materially from recent results or our anticipated future results.

***We depend on U.S. Government customers for a significant portion of our revenue, and the loss of this relationship or a shift in U.S. Government funding priorities could have adverse consequences on our future business.***
We are highly dependent on sales to U.S. Government customers. The percentage of our net revenue that was derived from sales to U.S. Government customers, including the DoD and intelligence and civilian agencies, as well as foreign military sales through the U.S. Government, whether directly or through prime contractors, was approximately 72 percent in fiscal 2011, 75 percent in fiscal 2010 and 74 percent in fiscal 2009. Therefore, any significant disruption or deterioration of our relationship with the U.S. Government would significantly reduce our revenue. Our U.S. Government programs must compete with programs managed by other government contractors for limited resources and for uncertain levels of funding. Our competitors continuously engage in efforts to expand their business relationships with the U.S. Government and will continue these efforts in the future, and the U.S. Government may choose to use other contractors. We expect that a majority of the business that we seek in the foreseeable future will be awarded through competitive bidding. The U.S. Government has increasingly relied on certain types of contracts that are subject to a competitive bidding process, including IDIQ, GWAC, General Services Administration ( GSA ) Schedule and other multi-award contracts, which has resulted in greater competition and increased pricing pressure. We operate in highly competitive markets and our competitors may have more extensive or more specialized engineering, manufacturing and marketing capabilities than we do in some areas, and we may not be able to continue to win competitively awarded contracts or to obtain task orders under multi-award contracts. Further, the competitive bidding process involves significant cost and managerial time to prepare bids and proposals for contracts that may not be awarded to us, and the risk that we may fail to accurately estimate the resources and costs required to fulfill any contract awarded to us. Following any contract award, we may experience significant expense or delay, contract modification or contract rescission as a result of our competitors protesting or challenging contracts awarded to us in competitive bidding. Budget decisions made by the U.S. Government are outside of our control and have long-term consequences for our business. A shift in U.S. Government spending priorities or an increase in non-procurement spending at the expense of our programs (for example, through in-sourcing ), or a reduction in total U.S. Government

spending, could have material adverse consequences on our future business.

***We depend significantly on U.S. Government contracts, which often are only partially funded, subject to immediate termination, and heavily regulated and audited. The termination or failure to fund one or more of these contracts could have an adverse impact on our business.***

Over its lifetime, a U.S. Government program may be implemented by the award of many different individual contracts and subcontracts. The funding of U.S. Government programs is subject to Congressional appropriations.

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Although multi-year contracts may be authorized and appropriated in connection with major procurements, Congress generally appropriates funds on a fiscal year basis. Procurement funds are typically made available for obligation over the course of three years. Consequently, programs often receive only partial funding initially, and additional funds are obligated only as Congress authorizes further appropriations. The termination of funding for a U.S. Government program would result in a loss of anticipated future revenue attributable to that program, which could have an adverse impact on our operations. In addition, the termination of a program or the failure to commit additional funds to a program that already has been started could result in lost revenue and increase our overall costs of doing business.

Generally, U.S. Government contracts are subject to oversight audits by U.S. Government representatives. Such audits could result in adjustments to our contract costs. Any costs found to be improperly allocated to a specific contract will not be reimbursed, and such costs already reimbursed must be refunded. We have recorded contract revenues based upon costs we expect to realize upon final audit. However, we do not know the outcome of any future audits and adjustments and we may be required to materially reduce our revenues or profits upon completion and final negotiation of audits. Negative audit findings could also result in termination of a contract, forfeiture of profits, suspension of payments, fines and suspension or prohibition from doing business with the U.S. Government.

In addition, U.S. Government contracts generally contain provisions permitting termination, in whole or in part, without prior notice at the U.S. Government s convenience upon the payment only for work done and commitments made at the time of termination. We can give no assurance that one or more of our U.S. Government contracts will not be terminated under these circumstances. Also, we can give no assurance that we would be able to procure new contracts to offset the revenue or backlog lost as a result of any termination of our U.S. Government contracts. Because a significant portion of our revenue is dependent on our performance and payment under our U.S. Government contracts, the loss of one or more large contracts could have a material adverse impact on our financial condition.

Our government business also is subject to specific procurement regulations and a variety of socio-economic and other requirements. These requirements, although customary in U.S. Government contracts, increase our performance and compliance costs. These costs might increase in the future, thereby reducing our margins, which could have an adverse effect on our financial condition. Failure to comply with these regulations and requirements could lead to fines, penalties, repayments, or compensatory or treble damages, or suspension or debarment from U.S. Government contracting or subcontracting for a period of time. Among the causes for debarment are violations of various laws, including those related to procurement integrity, export control, U.S. Government security regulations, employment practices, protection of the environment, accuracy of records, proper recording of costs and foreign corruption. The termination of a U.S. Government contract or relationship as a result of any of these acts would have an adverse impact on our operations and could have an adverse effect on our standing and eligibility for future U.S. Government contracts.

***We enter into fixed-price contracts that could subject us to losses in the event of cost overruns or a significant increase in inflation.***

We have a number of firm fixed-price contracts. These contracts allow us to benefit from cost savings, but they carry the risk of potential cost overruns because we assume all of the cost burden. If our initial estimates are incorrect, we can lose money on these contracts. U.S. Government contracts can expose us to potentially large losses because the U.S. Government can hold us responsible for completing a project or, in certain circumstances, paying the entire cost of its replacement by another provider regardless of the size or foreseeability of any cost overruns that occur over the life of the contract. Because many of these contracts involve new technologies and applications and can last for years, unforeseen events, such as technological difficulties, fluctuations in the price of raw materials, problems with our suppliers and cost overruns, can result in the contractual price becoming less favorable or even unprofitable to us over time. The United States also may experience a significant increase in inflation. A significant increase in inflation rates could have a significant adverse impact on the profitability of these contracts. Furthermore, if we do not meet contract

deadlines or specifications, we may need to renegotiate contracts on less favorable terms, be forced to pay penalties or liquidated damages or suffer major losses if the customer exercises its right to terminate. In addition, some of our contracts have provisions relating to cost controls and audit rights, and if we fail to meet the terms specified in those contracts we may not realize their full benefits. Our results of operations are dependent on our ability to maximize our earnings from our contracts. Cost overruns could have an adverse impact on our financial results. The potential impact of such risk on our financial results would increase if the mix of our contracts and programs shifted toward a greater percentage of firm fixed-price contracts.

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***We could be negatively impacted by a security breach, through cyber attack, cyber intrusion or otherwise, or other significant disruption of our IT networks and related systems or of those we operate for certain of our customers.***
We face the risk, as does any company, of a security breach, whether through cyber attack or cyber intrusion over the Internet, malware, computer viruses, attachments to e-mails, persons inside our organization or persons with access to systems inside our organization, or other significant disruption of our IT networks and related systems. We face an added risk of a security breach or other significant disruption of the IT networks and related systems that we develop, install, operate and maintain for certain of our customers, which may involve managing and protecting information relating to national security and other sensitive government functions. The risk of a security breach or disruption, particularly through cyber attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. As a communications and IT company, and particularly as a government contractor, we face a heightened risk of a security breach or disruption from threats to gain unauthorized access to our and our customers proprietary or classified information on our IT networks and related systems and to the IT networks and related systems that we operate and maintain for certain of our customers. These types of information and IT networks and related systems are critical to the operation of our business and essential to our ability to perform day-to-day operations, and, in some cases, are critical to the operations of certain of our customers. Although we make significant efforts to maintain the security and integrity of these types of information and IT networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because attempted security breaches, particularly cyber attacks and intrusions, or disruptions will occur in the future, and because the techniques used in such attempts are constantly evolving and generally are not recognized until launched against a target, and in some cases are designed not be detected and, in fact, may not be detected. In some cases, the resources of foreign governments may be behind such attacks. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is virtually impossible for us to entirely mitigate this risk. A security breach or other significant disruption involving these types of information and IT networks and related systems could:

- Disrupt the proper functioning of these networks and systems and therefore our operations and/or those of certain of our customers;
- Result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive or otherwise valuable information of ours or our customers, including trade secrets, which others could use to compete against us or for disruptive, destructive or otherwise harmful purposes and outcomes;
- Compromise national security and other sensitive government functions;
- Require significant management attention and resources to remedy the damages that result;
- Subject us to claims for contract breach, damages, credits, penalties or termination; or
- Damage our reputation among our customers (particularly agencies of the U.S. Government and potential customers of Cyber Integrated Solutions) and the public generally,

Any or all of which could have a negative impact on our results of operations, financial condition and cash flows.

***We derive a significant portion of our revenue from international operations and are subject to the risks of doing business internationally, including fluctuations in currency exchange rates.***
We are dependent on sales to customers outside the United States. In fiscal 2011, fiscal 2010 and fiscal 2009, revenue from products and services exported from the U.S. or manufactured or rendered abroad was 22 percent, 14 percent and 20 percent, respectively, of our total revenue. Approximately 33 percent of our international business in fiscal 2011 was transacted in local currency. Losses resulting from currency rate fluctuations can adversely affect our results. We expect that international revenue will continue to account for a significant portion of our total revenue. Also, a

significant portion of our international revenue is from, and an increasing portion of our business activity is being conducted in, less-developed countries. We are subject to risks of doing business internationally, including:

- Currency exchange controls, fluctuations of currency and currency revaluations;
- The laws, regulations and policies of foreign governments relating to investments and operations, as well as U.S. laws affecting the activities of U.S. companies abroad, including the Foreign Corrupt Practices Act;

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Changes in regulatory requirements, including business or operating license requirements, imposition of tariffs or embargoes, export controls and other trade restrictions;
Uncertainties and restrictions concerning the availability of funding, credit or guarantees;
The complexity and necessity of using international dealers, distributors, sales representatives and consultants;
The difficulties of managing a geographically dispersed organization and culturally diverse workforces, including compliance with local laws and practices;
Difficulties associated with repatriating cash generated or held abroad in a tax-efficient manner and changes in tax laws;
Import and export licensing requirements and regulations, as well as unforeseen changes in export regulations;
Uncertainties as to local laws and enforcement of contract and intellectual property rights and occasional requirements for onerous contract clauses; and
Rapid changes in government, economic and political policies, political or civil unrest, acts of terrorism or the threat of international boycotts or U.S. anti-boycott legislation.

***Our reputation and ability to do business may be impacted by the improper conduct of our employees, agents or business partners.***

We have implemented compliance controls, policies and procedures designed to prevent reckless or criminal acts from being committed by our employees, agents or business partners that would violate the laws of the jurisdictions in which we operate, including laws governing payments to government officials (such as the Foreign Corrupt Practices Act), and to detect any such reckless or criminal acts committed. We cannot ensure, however, that our controls, policies and procedures will prevent or detect all such reckless or criminal acts. If not prevented, such reckless or criminal acts could subject us to civil or criminal investigations and monetary and non-monetary penalties and could have a material adverse effect on our ability to conduct business, our results of operations and our reputation.

***We may not be successful in obtaining the necessary export licenses to conduct certain operations abroad, and Congress may prevent proposed sales to certain foreign governments.***

We must first obtain export and other licenses and authorizations from various U.S. Government agencies before we are permitted to sell certain products and technologies outside of the United States. For example, the U.S. Department of State must notify Congress at least 15-60 days, depending on the size and location of the sale, prior to authorizing certain sales of defense equipment and services to foreign governments. During that time, Congress may take action to block the proposed sale. We can give no assurance that we will continue to be successful in obtaining the necessary licenses or authorizations or that Congress will not prevent or delay certain sales. Any significant impairment of our ability to sell products or technologies outside of the United States could negatively impact our results of operations and financial condition.

***The continued effects of the general downturn in the global economy and the U.S. Government s budget deficits and national debt could have an adverse impact on our business, operating results or financial condition.***

There has been a general downturn in the global economy and the economies of the United States and many foreign countries in which we do business continue to show weakness. Although governments worldwide, including the U.S. Government, have initiated sweeping economic plans, we are unable to predict the impact, severity and duration of these economic events. The continuing effects of the general downturn in the global economy and the U.S. Government s budget deficits and national debt could have an adverse impact on our business, operations results or financial condition in a number of ways. Possible effects of these economic conditions include the following:

The U.S. Government could reduce or delay its spending on, reprioritize its spending away from, the government programs in which we participate;
The U.S. Government may be unable complete its budget process before the end of its fiscal year on September 30 and thus would be required either to shut down or to be funded pursuant to a continuing resolution that authorizes agencies of the U.S. Government to continue operations but does not authorize new spending

initiatives, either of which could result in reduced or delayed orders or payments for products and services we provide. While this historically has not had a material adverse impact on our business, operating results or financial condition, if the U.S. Government budget process results in a shutdown or prolonged operation under a continuing resolution, it may decrease our revenues, profitability or cash flows or otherwise have a material adverse effect on our business, operating results or financial condition.

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- We may experience declines in revenues, profitability and cash flows as a result of reduced or delayed orders or payments or other factors caused by the economic problems of our customers and prospective customers (including U.S. Federal, state and local governments);
- We may experience supply chain delays, disruptions or other problems associated with financial constraints faced by our suppliers and subcontractors; and
- We may incur increased costs or experience difficulty with future borrowings under our commercial paper program or credit facilities or in the debt markets, or otherwise with financing our operating, investing (including any future acquisitions) or financing activities.

***Our future success will depend on our ability to develop new products, services and technologies that achieve market acceptance in our current and future markets.***

Both our commercial and government businesses are characterized by rapidly changing technologies and evolving industry standards. Accordingly, our performance depends on a number of factors, including our ability to:

- Identify emerging technological trends in our current and target markets;
- Develop and maintain competitive products and services;
- Enhance our offerings by adding innovative hardware, software or other features that differentiate our products and services from those of our competitors; and
- Develop, manufacture and bring cost-effective offerings to market quickly.

We believe that, in order to remain competitive in the future, we will need to continue to develop new products, services and technologies, requiring the investment of significant financial resources. The need to make these expenditures could divert our attention and resources from other projects, and we cannot be sure that these expenditures ultimately will lead to the timely development of new products, services or technologies. Due to the design complexity of some of our products, services and technologies, we may experience delays in completing development and introducing new products, services or technologies in the future. Any delays could result in increased costs of development or redirect resources from other projects. In addition, we cannot provide assurances that the markets for our products, services or technologies will develop as we currently anticipate. The failure of our products, services or technologies to gain market acceptance could significantly reduce our revenue and harm our business. Furthermore, we cannot be sure that our competitors will not develop competing products, services or technologies that gain market acceptance in advance of our products, services or technologies, or that our competitors will not develop new products, services or technologies that cause our existing products, services or technologies to become non-competitive or obsolete, which could adversely affect our results of operations. The future direction of the domestic and global economies, including its impact on customer demand, also will have a significant impact on our overall performance.

***We participate in markets that are often subject to uncertain economic conditions, which makes it difficult to estimate growth in our markets and, as a result, future income and expenditures.***

We participate in U.S. and international markets that are subject to uncertain economic conditions. As a result, it is difficult to estimate the level of growth in the markets in which we participate. Because all components of our budgeting and forecasting are dependent upon estimates of growth in the markets we serve, the uncertainty renders estimates of or guidance relating to future revenue, income and expenditures even more difficult. As a result, we may make significant investments and expenditures but never realize the anticipated benefits.

***We cannot predict the consequences of future geo-political events, but they may adversely affect the markets in which we operate, our ability to insure against risks, our operations or our profitability.***

Ongoing instability and current conflicts in the Middle East and Asia and the potential for further conflicts and future terrorist activities and other recent geo-political events throughout the world have created economic and political uncertainties that could have a material adverse effect on our business, operations and profitability. These matters

cause uncertainty in the world s financial and insurance markets and may increase significantly the political, economic and social instability in the geographic areas in which we operate. These matters also have caused the premiums charged for our insurance coverages to increase and may cause further increases or some coverages to be unavailable altogether.

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***We have made, and may continue to make, strategic acquisitions that involve significant risks and uncertainties.***
We have made, and we may continue to make, strategic acquisitions that involve significant risks and uncertainties. These risks and uncertainties include:

- Difficulty in identifying and evaluating potential acquisitions, including the risk that our due diligence does not identify or fully assess valuation issues, potential liabilities or other acquisition risks;
- Difficulty in integrating newly acquired businesses and operations, including combining product and service offerings, and in entering into new markets in which we are not experienced, in an efficient and cost-effective manner while maintaining adequate standards, controls and procedures, and the risk that we encounter significant unanticipated costs or other problems associated with integration;
- Difficulty in consolidating and rationalizing IT infrastructure, which may include multiple legacy systems from various acquisitions and integrating software code;
- Challenges in achieving strategic objectives, cost savings and other benefits expected from acquisitions;
- Risk that our markets do not evolve as anticipated and that the strategic acquisitions do not prove to be those needed to be successful in those markets;
- Risk that we assume significant liabilities that exceed the limitations of any applicable indemnification provisions or the financial resources of any indemnifying parties;
- Potential loss of key employees or customers of the acquired businesses; and
- Risk of diverting the attention of senior management from our existing operations.

***Disputes with our subcontractors and the inability of our subcontractors to perform, or our key suppliers to timely deliver our components, parts or services, could cause our products or services to be produced or delivered in an untimely or unsatisfactory manner.***
On many of our contracts, we engage subcontractors. We may have disputes with our subcontractors, including disputes regarding the quality and timeliness of work performed by the subcontractor, customer concerns about the subcontract, our failure to extend existing task orders or issue new task orders under a subcontract, our hiring of the personnel of a subcontractor or vice versa or the subcontractor s failure to comply with applicable law. In addition, there are certain parts, components and services for many of our products and services which we source from other manufacturers or vendors. Some of our suppliers, from time to time, experience financial and operational difficulties, which may impact their ability to supply the materials, components, subsystems and services that we require. Any inability to develop alternative sources of supply on a cost-effective and timely basis could materially impair our ability to manufacture and deliver products and services to our customers. We can give no assurances that we will be free from disputes with our subcontractors, material supply problems or component, subsystems or services problems in the future. Also, our subcontractors and other suppliers may not be able to acquire or maintain the quality of the materials, components, subsystems and services they supply, which might result in greater product returns, service problems and warranty claims and could harm our business, financial condition and results of operations.

***Third parties have claimed in the past and may claim in the future that we are infringing directly or indirectly upon their intellectual property rights, and third parties may infringe upon our intellectual property rights.***
Many of the markets we serve are characterized by vigorous protection and pursuit of intellectual property rights, which often has resulted in protracted and expensive litigation. Third parties have claimed in the past and may claim in the future that we are infringing directly or indirectly upon their intellectual property rights, and we may be found to be infringing or to have infringed directly or indirectly upon those intellectual property rights. Claims of intellectual property infringement might also require us to enter into costly royalty or license agreements. Moreover, we may not be able to obtain royalty or license agreements on terms acceptable to us, or at all. We also may be subject to significant damages or injunctions against development and sale of certain of our products, services and solutions. Our success depends in large part on our proprietary technology. We rely on a combination of patents, copyrights, trademarks, trade secrets, know-how, confidentiality provisions and licensing arrangements to establish and protect our intellectual property rights. If we fail to successfully protect and enforce these rights, our competitive position

could suffer. Our pending patent and trademark registration applications may not be allowed, or competitors may challenge the validity or scope of our patents or trademark registrations. In addition, our patents may not provide us a significant competitive advantage. We may be required to spend significant resources to monitor and police our intellectual property rights. We may not be able to detect infringement and our competitive position may be harmed before we do so. In addition, competitors may design around our technology or develop competing technologies.

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***The outcome of litigation or arbitration in which we are involved is unpredictable and an adverse decision in any such matter could have a material adverse effect on our financial condition and results of operations.***
We are defendants in a number of litigation matters and, from time to time, are involved in a number of arbitrations. These actions may divert financial and management resources that would otherwise be used to benefit our operations. No assurances can be given that the results of these or new matters will be favorable to us. An adverse resolution of lawsuits or arbitrations could have a material adverse effect on our financial condition and results of operations.

***We face certain significant risk exposures and potential liabilities that may not be covered adequately by insurance or indemnity.***
We are exposed to liabilities that are unique to the products and services we provide. A significant portion of our business relates to designing, developing and manufacturing advanced defense, technology and communications systems and products. New technologies associated with these systems and products may be untested or unproven. Components of certain of the defense systems and products we develop are inherently dangerous. Failures of satellites, missile systems, air traffic control systems, homeland security applications and aircraft have the potential to cause loss of life and extensive property damage. In most circumstances, we may receive indemnification from the U.S. Government. While we maintain insurance for certain risks, the amount of our insurance coverage may not be adequate to cover all claims or liabilities, and we may be forced to bear substantial costs from an accident or incident. It also is not possible to obtain insurance to protect against all operational risks and liabilities. Substantial claims resulting from an incident in excess of U.S. Government indemnity and our insurance coverage could harm our financial condition, operating results and cash flows. Moreover, any accident or incident for which we are liable, even if fully insured, could negatively affect our standing among our customers and the public, thereby making it more difficult for us to compete effectively, and could significantly impact the cost and availability of adequate insurance in the future.

***Changes in our effective tax rate may have an adverse effect on our results of operations.***
Our future effective tax rate may be adversely affected by a number of factors including:

- The jurisdictions in which profits are determined to be earned and taxed;
- Adjustments to estimated taxes upon finalization of various tax returns;
- Increases in expenses not fully deductible for tax purposes, including write-offs of acquired in-process research and development and impairment of goodwill in connection with acquisitions;
- Changes in available tax credits;
- Changes in share-based compensation expense;
- Changes in the valuation of our deferred tax assets and liabilities;
- Changes in domestic or international tax laws or the interpretation of such tax laws; and
- The resolution of issues arising from tax audits with various tax authorities.

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

***We have significant operations in Florida and other locations that could be materially and adversely impacted in the event of a natural disaster or other significant disruption.***
Our corporate headquarters and significant operations of our Government Communications Systems segment are located in Florida, where major hurricanes have occurred. Our worldwide operations and operations of our suppliers could be subject to natural disasters or other significant disruptions, including hurricanes, typhoons, tsunamis, floods, earthquakes, fires, water shortages, other extreme weather conditions, medical epidemics, acts of terrorism, power shortages and blackouts, telecommunications failures, cyber attacks and other natural and manmade disasters or disruptions. In the event of such a natural disaster or other disruption, we could experience disruptions or interruptions to our operations or the operations of our suppliers, subcontractors, distributors, resellers or customers; destruction of

facilities; and/or loss of life, all of which could materially increase our costs and expenses and materially adversely affect our business, financial condition and results of operations.

***Changes in the regulatory framework under which our managed satellite and terrestrial communications solutions operations are operated could adversely affect our business, results of operations and financial condition.***
Our domestic satellite and terrestrial communications solutions are currently provided on a private carrier basis and are therefore subject to lighter regulation by the Federal Communications Commission (the FCC ) and other Federal, state and local agencies than if provided on a common carrier basis. Our international satellite and

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terrestrial communications solutions operations are regulated by governments of various countries other than the United States and by other international authorities. The regulatory regimes applicable to our international satellite and terrestrial communications solutions operations frequently require that we obtain and maintain licenses for our operations and conduct our operations in accordance with prescribed standards. Compliance with such requirements may inhibit our ability to quickly expand our operations into new countries, including in circumstances in which such expansion is required in order to provide uninterrupted service to existing customers with mobile operations as they move to new locations on short notice. Failure to comply with such regulatory requirements could subject us to various penalties or sanctions. The adoption of new laws or regulations, changes to the existing domestic or international regulatory framework, new interpretations of the laws that apply to our operations, or the loss of, or a material limitation on, any of our material licenses could materially harm our business, results of operations and financial condition.

***We rely on third parties to provide satellite bandwidth for our managed satellite and terrestrial communications solutions, and any bandwidth constraints could harm our business, financial condition and results of operations.*** In our managed satellite and terrestrial communications solutions operations, we compete for satellite ba