

HARRIS CORP /DE/  
Form 10-Q  
May 01, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 29, 2013

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-3863

**HARRIS CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

1025 West NASA Boulevard

**Melbourne, Florida**  
(Address of principal executive offices)

(321) 727-9100

**34-0276860**  
(I.R.S. Employer Identification No.)

**32919**  
(Zip Code)

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(Registrant's telephone number, including area code)

No changes

(Former name, former address and former fiscal year, if changed since last report)

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

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

Indicate by check mark 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  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  
The number of shares outstanding of the registrant's common stock as of April 26, 2013 was 109,583,467 shares.

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**HARRIS CORPORATION**

**FORM 10-Q**

**For the Quarter Ended March 29, 2013**

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This Quarterly Report on Form 10-Q contains trademarks, service marks and registered marks of Harris Corporation and its subsidiaries.

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.****HARRIS CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENT OF INCOME****(Unaudited)**

	Quarter Ended		Three Quarters Ended	
	March 29, 2013	March 30, 2012	March 29, 2013	March 30, 2012
	(In millions, except per share amounts)			
Revenue from product sales and services	\$ 1,203.7	\$ 1,368.8	\$ 3,752.1	\$ 4,015.1
Cost of product sales and services	(803.5)	(879.8)	(2,497.2)	(2,629.7)
Engineering, selling and administrative expenses	(202.5)	(242.0)	(613.8)	(687.7)
Non-operating income (loss)	(0.5)	8.1	(1.6)	11.7
Interest income	0.8	1.2	1.8	2.3
Interest expense	(27.6)	(28.7)	(83.1)	(85.9)
Income from continuing operations before income taxes	170.4	227.6	558.2	625.8
Income taxes	(45.8)	(73.2)	(166.8)	(206.0)
Income from continuing operations	124.6	154.4	391.4	419.8
Discontinued operations (including a \$23.6 million loss on sale), net of income taxes	(30.3)	(508.5)	(338.3)	(520.5)
Net income (loss)	94.3	(354.1)	53.1	(100.7)
Noncontrolling interests, net of income taxes	0.5	0.9	4.4	2.2
Net income (loss) attributable to Harris Corporation	\$ 94.8	\$ (353.2)	\$ 57.5	\$ (98.5)
<b>Amounts attributable to Harris Corporation common shareholders</b>				
Income from continuing operations	\$ 125.1	\$ 155.3	\$ 395.8	\$ 422.0
Discontinued operations, net of income taxes	(30.3)	(508.5)	(338.3)	(520.5)
Net income (loss)	\$ 94.8	\$ (353.2)	\$ 57.5	\$ (98.5)
<b>Net income (loss) per common share attributable to Harris Corporation common shareholders</b>				
Basic net income (loss) per common share attributable to Harris Corporation common shareholders				
Continuing operations	\$ 1.12	\$ 1.38	\$ 3.52	\$ 3.67
Discontinued operations	(0.27)	(4.53)	(3.01)	(4.53)
	\$ 0.85	\$ (3.15)	\$ 0.51	\$ (0.86)
Diluted net income (loss) per common share attributable to Harris Corporation common shareholders				
Continuing operations	\$ 1.12	\$ 1.38	\$ 3.50	\$ 3.66

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Discontinued operations	(0.27)	(4.51)	(2.99)	(4.51)
	\$ 0.85	\$ (3.13)	\$ 0.51	\$ (0.85)
Cash dividends paid per common share	\$ 0.37	\$ 0.33	\$ 1.11	\$ 0.89
Basic weighted average common shares outstanding	110.6	112.3	111.5	114.9
Diluted weighted average common shares outstanding	111.2	112.9	112.1	115.5

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

**Table of Contents****HARRIS CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****(Unaudited)**

	Quarter Ended		Three Quarters Ended	
	March 29, 2013	March 30, 2012	March 29, 2013	March 30, 2012
	(In millions)			
Net income (loss)	\$ 94.3	\$ (354.1)	\$ 53.1	\$ (100.7)
Other comprehensive income (loss):				
Foreign currency translation	(55.5)	40.1	(21.8)	(10.9)
Net unrealized gain (loss) on hedging derivatives, net of income taxes	0.3	(0.2)	0.1	0.4
Net unrealized gain (loss) on securities available-for-sale, net of income taxes			(2.7)	0.3
Amortization of loss on treasury lock, net of income taxes	0.1	0.1	0.4	0.4
Net unrecognized pension obligations, net of income taxes	1.7	0.4	3.3	2.6
Total comprehensive income (loss)	40.9	(313.7)	32.4	(107.9)
Comprehensive loss attributable to noncontrolling interests	0.5	0.9	4.4	2.2
Total comprehensive income (loss) attributable to Harris Corporation	\$ 41.4	\$ (312.8)	\$ 36.8	\$ (105.7)

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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**HARRIS CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEET**

(Unaudited)

	March 29, 2013	June 29, 2012
	(In millions, except shares)	
<b>Assets</b>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 459.0	\$ 356.0
Receivables	672.0	750.2
Inventories	646.3	617.8
Income taxes receivable	68.6	12.0
Current deferred income taxes	152.4	160.5
Other current assets	89.8	71.2
Assets of discontinued operations	37.2	632.7
<b>Total current assets</b>	<b>2,125.3</b>	<b>2,600.4</b>
<i>Non-current Assets</i>		
Property, plant and equipment	666.9	659.4
Goodwill	1,693.1	1,695.3
Intangible assets	357.8	421.7
Non-current deferred income taxes	69.7	80.3
Other non-current assets	163.5	135.7
<b>Total non-current assets</b>	<b>2,951.0</b>	<b>2,992.4</b>
	<b>\$ 5,076.3</b>	<b>\$ 5,592.8</b>
<b>Liabilities and Equity</b>		
<i>Current Liabilities</i>		
Short-term debt	\$ 33.8	\$ 159.4
Accounts payable	298.4	381.0
Compensation and benefits	196.8	229.1
Other accrued items	286.9	269.6
Advance payments and unearned income	304.0	221.5
Income taxes payable		12.0
Current deferred income taxes	1.9	0.8
Current portion of long-term debt	315.1	4.8
Liabilities of discontinued operations	4.7	136.2
<b>Total current liabilities</b>	<b>1,441.6</b>	<b>1,414.4</b>
<i>Non-current Liabilities</i>		
Long-term debt	1,576.1	1,883.0
Long-term contract liability	100.2	109.5
Other long-term liabilities	282.2	239.8
<b>Total non-current liabilities</b>	<b>1,958.5</b>	<b>2,232.3</b>
<i>Equity</i>		
Shareholders' Equity:		
Preferred stock, without par value; 1,000,000 shares authorized; none issued		
Common stock, \$1.00 par value; 500,000,000 shares authorized; issued and outstanding		

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109,184,648 shares at March 29, 2013 and 112,147,405 shares at June 29, 2012	109.2	112.1
Other capital	443.8	432.8
Retained earnings	1,163.7	1,416.6
Accumulated other comprehensive loss	(43.3)	(22.6)
Total shareholders' equity	1,673.4	1,938.9
Noncontrolling interests	2.8	7.2
Total equity	1,676.2	1,946.1
	\$ 5,076.3	\$ 5,592.8

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).



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**HARRIS CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

(Unaudited)

	Three Quarters Ended	
	March 29, 2013	March 30, 2012
	(In millions)	
<b>Operating Activities</b>		
Net income (loss)	\$ 53.1	\$ (100.7)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	164.3	194.0
Share-based compensation	25.6	26.4
Non-current deferred income taxes	2.9	(57.6)
Gain on the sale of securities available-for-sale	(9.0)	
Loss on the sale of discontinued operations	23.6	
Impairment of assets of discontinued operations	320.7	562.0
(Increase) decrease in:		
Accounts and notes receivable	88.0	(78.6)
Inventories	(31.7)	(18.7)
Increase (decrease) in:		
Accounts payable and accrued expenses	(145.3)	(108.0)
Advance payments and unearned income	78.6	12.6
Income taxes	(66.5)	37.3
Other	8.9	14.5
Net cash provided by operating activities	513.2	483.2
<b>Investing Activities</b>		
Net cash paid for acquired businesses		(14.0)
Cash paid for cost-method investment	(0.8)	(1.0)
Additions of property, plant and equipment	(124.9)	(157.4)
Additions of capitalized software	(6.6)	(17.9)
Proceeds from the sale of discontinued operations	147.4	
Proceeds from the sale of securities available-for-sale	11.9	
Net cash provided by (used in) investing activities	27.0	(190.3)
<b>Financing Activities</b>		
Proceeds from borrowings	17.1	168.9
Repayments of borrowings	(140.9)	(3.7)
Proceeds from exercises of employee stock options	84.7	22.7
Repurchases of common stock	(274.6)	(448.4)
Cash dividends	(124.6)	(102.2)
Net cash used in financing activities	(438.3)	(362.7)
Effect of exchange rate changes on cash and cash equivalents	1.1	1.9
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>103.0</b>	<b>(67.9)</b>

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Cash and cash equivalents, beginning of year	356.0	366.9
<b>Cash and cash equivalents, end of quarter</b>	<b>\$ 459.0</b>	<b>\$ 299.0</b>

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****March 29, 2013****Note A Significant Accounting Policies and Recent Accounting Standards***Basis of Presentation*

The accompanying condensed consolidated financial statements include the accounts of Harris Corporation and its subsidiaries. As used in these Notes to Condensed Consolidated Financial Statements (Unaudited) (these Notes), the terms Harris, Company, we, our and us refer to Harris Corporation and its consolidated subsidiaries. Intracompany transactions and accounts have been eliminated. The accompanying condensed consolidated financial statements have been prepared by Harris, without an audit, in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, such interim financial statements do not include all information and footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with U.S. GAAP for annual financial statements. In the opinion of management, such interim financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of financial position, results of operations and cash flows for the periods presented therein. The results for the quarter and three quarters ended March 29, 2013 are not necessarily indicative of the results that may be expected for the full fiscal year or any subsequent period. The balance sheet at June 29, 2012 has been derived from the audited financial statements but does not include all of the information and footnotes required by U.S. GAAP for annual financial statements. We provide complete financial statements in our Annual Report on Form 10-K, which includes information and footnotes required by the rules and regulations of the SEC. The information included in this Quarterly Report on Form 10-Q (this Report) should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and accompanying Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended June 29, 2012 (our Fiscal 2012 Form 10-K).

In the third quarter of fiscal 2012, our Board of Directors approved a plan to exit our cyber integrated solutions operation (CIS), which provided remote cloud hosting, and to dispose of the related assets, and we reported CIS as discontinued operations beginning with our financial results presented in our Quarterly Report on Form 10-Q for the third quarter of fiscal 2012. In the fourth quarter of fiscal 2012, our Board of Directors approved a plan to divest Broadcast Communications, which provides digital media management solutions in support of broadcast customers, and we reported Broadcast Communications as discontinued operations beginning with our financial results presented in our Fiscal 2012 Form 10-K. On February 4, 2013, we completed the sale of Broadcast Communications to an affiliate of The Gores Group, LLC pursuant to a definitive Asset Sale Agreement entered into December 5, 2012. Both CIS and Broadcast Communications were formerly part of our Integrated Network Solutions segment. Our historical financial results, except for disclosures related to our cash flows, have been restated to account for CIS and Broadcast Communications as discontinued operations. For additional information regarding discontinued operations, see *Note B Discontinued Operations* in these Notes. Except for disclosures related to our cash flows, or unless otherwise specified, disclosures in this Report relate solely to our continuing operations.

In the second quarter of fiscal 2013, we concluded an error in classification existed in the 2012 Consolidated Statement of Income included in our Fiscal 2012 Form 10-K. The error in classification resulted in reporting for fiscal 2012 \$233 million of product revenue as services revenue, and \$192 million of cost of product revenue as cost of services revenue, but did not otherwise affect the reported amounts for total revenue, total cost of product sales and services, gross margin or any other reported income statement, balance sheet or statement of cash flows amounts.

The following table presents amounts originally reported and balances as corrected for the affected income statement line items:

	2012 As reported	2012 As corrected
	(In millions)	
Revenue from product sales	\$ 3,364.7	\$ 3,597.8
Revenue from services	2,086.6	1,853.5
<b>Total revenue from product sales and services</b>	<b>\$ 5,451.3</b>	<b>\$ 5,451.3</b>
Cost of product sales	\$ 1,945.2	\$ 2,137.6
Cost of services	1,624.1	1,431.7

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Total cost of product sales and services	\$ 3,569.3	\$ 3,569.3
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### *Use of Estimates*

The preparation of financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in the accompanying condensed consolidated financial statements and these Notes. These estimates and assumptions are based on experience and other information available prior to issuance of the accompanying condensed consolidated financial statements and these Notes. Materially different results can occur as circumstances change and additional information becomes known.

### *Adoption of New Accounting Standards*

In the first quarter of fiscal 2013, we retrospectively adopted an accounting standard issued by the Financial Accounting Standards Board ( FASB ) for the presentation of comprehensive income in financial statements. The adoption of this standard resulted in the presentation of the components of net income, components of other comprehensive income and total comprehensive income in two separate but consecutive statements. The adoption of this standard only changed how we present comprehensive income and did not impact our financial position, results of operations or cash flows.

In the first quarter of fiscal 2013, we adopted an accounting standard issued by the FASB that simplifies how entities test goodwill for impairment. This standard gives entities the option to assess qualitative factors first, to determine whether it is necessary to perform the two-step quantitative goodwill impairment test for their reporting units. Under this standard, an entity is not required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not (a likelihood of more than 50 percent) that its fair value is less than its carrying amount. Additionally, this standard includes examples of events and circumstances that an entity should consider in conducting the qualitative assessment. The adoption of this update did not impact our financial position, results of operations or cash flows.

### *Accounting Standards Issued But Not Yet Effective*

In February 2013, the FASB issued an accounting standards update that requires entities to provide details of reclassifications in the disclosure of changes in accumulated other comprehensive income ( AOCI ) balances. In addition, for significant items reclassified out of AOCI in the fiscal quarter, entities must provide information about the effects on net income together, in one location, on the face of the statement where net income is presented, or as a separate disclosure in the notes. For items not reclassified to net income in their entirety in the fiscal quarter, entities must cross-reference to the note where additional details about the effects of the reclassifications are disclosed. This update is to be applied prospectively and is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2012, which for us is our fiscal 2014. The adoption of this update will not impact our financial position, results of operations or cash flows.

In March 2013, the FASB issued an accounting standards update that clarifies previous U.S. GAAP regarding the release of cumulative translation adjustment ( CTA ) into earnings in certain situations. When an entity ceases to have a controlling financial interest in a subsidiary or group of assets within a consolidated foreign entity and the sale or transfer of such subsidiary or group of assets results in the complete or substantially complete liquidation of such foreign entity, any related CTA should be reclassified from AOCI and included in the calculation of the gain or loss on the sale or transfer. Upon a sale or complete or substantially complete liquidation of an investment in a consolidated foreign entity that results in either (1) a loss of a controlling financial interest in the foreign entity or (2) an acquirer obtaining control of an acquiree in which the acquirer held an equity interest immediately before the acquisition date in a business combination achieved in stages, any related CTA should be reclassified from AOCI and included in the calculation of the gain or loss on the sale or liquidation. For a sale of part of an ownership interest in a foreign investment that is accounted for as an equity method investment, a pro rata portion of CTA attributable to that investment should be reclassified from AOCI and included in the calculation of the gain or loss on the sale. This update is to be applied prospectively and is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2013, which for us is our fiscal 2015. The adoption of this update will not have a material impact on our financial position, results of operations or cash flows.

### **Note B Discontinued Operations**

In the third quarter of fiscal 2012, our Board of Directors approved a plan to exit CIS, which provided remote cloud hosting, and to dispose of the related assets, and we reported CIS as discontinued operations beginning with our financial results presented in our Quarterly Report on Form 10-Q for the third quarter of fiscal 2012. We expect to complete the disposition of assets of CIS during fiscal 2013. In the fourth quarter of fiscal 2012, our Board of Directors approved a plan to divest Broadcast Communications, which provides digital media management solutions in support of broadcast customers, and we reported Broadcast Communications as discontinued operations beginning with our financial results presented in our Fiscal 2012 Form 10-K. On February 4, 2013, we completed the sale of Broadcast Communications to an affiliate of The Gores Group, LLC pursuant to a definitive Asset Sale Agreement entered into December 5, 2012 for \$225 million, including \$160 million in cash, subject to customary adjustments, a \$15 million subordinated promissory note and an earnout of up to \$50 million based on future performance.

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Both CIS and Broadcast Communications were formerly part of our Integrated Network Solutions segment. Our historical financial results, except for disclosures related to our cash flows, have been restated to account for CIS and Broadcast Communications as discontinued operations.

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Prior to the sale of Broadcast Communications, during the first and second quarters of fiscal 2013, based on indicators of value, including financial performance, market conditions and our entering into a definitive Asset Sale Agreement relating to the sale of Broadcast Communications, we recorded non-cash impairment charges totaling \$314.4 million to write down net assets of Broadcast Communications to their estimated fair value, less estimated costs to sell. The impairments related to goodwill, other long-lived assets and inventory, a substantial portion of which was deductible for tax purposes. The impairments do not impact covenant compliance under our credit arrangements, and we do not expect the impairments to impact our ongoing financial performance, although no assurance can be given.

Summarized financial information for our discontinued operations related to CIS and Broadcast Communications is as follows:

	Quarter Ended		Three Quarters Ended	
	March 29, 2013	March 30, 2012	March 29, 2013	March 30, 2012
	(In millions)			
Revenue from product sales and services	\$ 38.0	\$ 108.5	\$ 270.9	\$ 368.9
Loss before income taxes	\$ (5.0)	\$ (581.4)	\$ (331.6)	\$ (602.3)
Income taxes	(1.7)	72.9	16.9	81.8
Loss from discontinued operations	(6.7)	(508.5)	(314.7)	(520.5)
Loss on sale of discontinued operations, including income tax expense of \$0.2 million	(23.6)		(23.6)	
Discontinued operations, net of income taxes	\$ (30.3)	\$ (508.5)	\$ (338.3)	\$ (520.5)

	March 29, 2013	June 29, 2012
		(In millions)
Receivables	\$	\$ 103.6
Inventories		128.0
Other current assets		9.4
Total current assets		241.0
Property, plant and equipment	37.2	89.0
Goodwill		267.7
Other non-current assets		35.0
Total assets	37.2	632.7
Accounts payable		26.9
Accrued and other liabilities	4.7	109.3
Total liabilities	4.7	136.2
Net assets of discontinued operations	\$ 32.5	\$ 496.5

Unless otherwise specified, the information set forth in these Notes, other than this *Note B Discontinued Operations*, relates solely to our continuing operations.

**Note C Stock Options and Other Share-Based Compensation**

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As of March 29, 2013, we had two shareholder-approved employee stock incentive plans ( SIPs ) under which options or other share-based compensation was outstanding, and we had the following types of share-based awards outstanding under our SIPs: stock options, performance share awards, performance share unit awards, restricted stock awards and restricted stock unit awards. We believe that such awards more closely align the interests of employees with those of shareholders. Certain share-based awards provide for accelerated vesting if there is a change in control (as defined under our SIPs). The compensation cost related to our share-based awards that was charged against income for the quarter and three quarters ended March 29, 2013 was \$10.6 million and \$25.6 million, respectively. The compensation cost related to our share-based awards that was charged against income for the quarter and three quarters ended March 30, 2012 was \$9.8 million and \$26.4 million, respectively.

Grants to employees under our SIPs during the quarter ended March 29, 2013 consisted of 122,700 stock options, 20,550 performance share unit awards and 71,150 restricted stock unit awards. Grants to employees under our SIPs during the three quarters



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ended March 29, 2013 consisted of 1,637,400 stock options, 429,400 performance share unit awards and 300,700 restricted stock unit awards. The fair value of each option award was estimated on the date of grant using the Black-Scholes-Merton option-pricing model which used the following assumptions: expected dividend yield of 2.96 percent; expected volatility of 33.47 percent; risk-free interest rates averaging 0.72 percent; and expected term in years of 5.23. The fair values of the performance share unit awards were estimated using a simulated fair value from a Monte Carlo simulation as of the grant date less a discount to reflect the delay in payment of cash dividend-equivalents that are made only upon vesting.

**Note D Accumulated Other Comprehensive Loss**

The components of accumulated other comprehensive loss at March 29, 2013 and June 29, 2012 were as follows:

	March 29, 2013	June 29, 2012
	(In millions)	
Foreign currency translation	\$ (16.4)	\$ 5.4
Net unrealized gain on hedging derivatives, net of income taxes	0.8	0.7
Net unrealized gain on securities available-for-sale, net of income taxes		2.7
Unamortized loss on treasury lock, net of income taxes	(2.6)	(3.0)
Unrecognized pension obligations, net of income taxes	(25.1)	(28.4)
	\$ (43.3)	\$ (22.6)

**Note E Receivables**

Receivables are summarized below:

	March 29, 2013	June 29, 2012
	(In millions)	
Accounts receivable	\$ 563.1	\$ 618.7
Unbilled costs and accrued earnings on cost-plus contracts	115.0	138.5
Notes receivable due within one year, net	0.3	
	678.4	757.2
Less allowances for collection losses	(6.4)	(7.0)
	\$ 672.0	\$ 750.2

**Note F Inventories**

Inventories are summarized below:

	March 29, 2013	June 29, 2012
	(In millions)	
Unbilled costs and accrued earnings on fixed-price contracts	\$ 404.7	\$ 403.1
Finished products	69.4	68.0
Work in process	30.5	23.1
Raw materials and supplies	141.7	123.6

\$ 646.3	\$ 617.8
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Unbilled costs and accrued earnings on fixed-price contracts were net of progress payments of \$179.8 million at March 29, 2013 and \$149.0 million at June 29, 2012.

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Property, plant and equipment are summarized below:

	March 29, 2013	June 29, 2012
	(In millions)	
Land	\$ 13.1	\$ 13.0
Software capitalized for internal use	102.5	93.1
Buildings	429.5	414.1
Machinery and equipment	1,083.0	1,014.2
	1,628.1	1,534.4
Less allowances for depreciation and amortization	(961.2)	(875.0)
	\$ 666.9	\$ 659.4

Depreciation and amortization expense related to property, plant and equipment for the quarter and three quarters ended March 29, 2013 was \$33.9 million and \$103.6 million, respectively. Depreciation and amortization expense related to property, plant and equipment for the quarter and three quarters ended March 30, 2012 was \$35.7 million and \$105.2 million, respectively.

**Note H Credit Arrangements**

On September 28, 2012, we established a new \$1 billion five-year senior unsecured revolving credit facility (the 2012 Credit Facility ) by entering into a Revolving Credit Agreement (the 2012 Credit Agreement ) with a syndicate of lenders. The 2012 Credit Facility replaced our prior (i) \$750 million five-year senior unsecured revolving credit facility established under the Revolving Credit Agreement, dated as of September 10, 2008 (the 2008 Credit Agreement ), and (ii) \$250 million 364-day senior unsecured revolving credit facility established under the 364-Day Revolving Credit Agreement, dated as of September 29, 2010, as amended by the First Amendment to 364-Day Revolving Credit Agreement, dated as of September 27, 2011 (as so amended, the Amended 364-Day Credit Agreement ).

The 2012 Credit Agreement provides for the extension of credit to us in the form of revolving loans, including swingline loans, and letters of credit, at any time and from time to time during the term of the 2012 Credit Agreement, in an aggregate principal amount at any time outstanding not to exceed \$1 billion for both revolving loans and letters of credit, with a sub-limit of \$70 million for swingline loans and a sub-limit of \$175 million for letters of credit. The 2012 Credit Agreement includes a provision pursuant to which, from time to time, we may request that the lenders in their discretion increase the maximum amount of commitments under the 2012 Credit Agreement by an amount not to exceed \$500 million. Only consenting lenders (including new lenders reasonably acceptable to the administrative agent) will participate in any such increase. In no event will the maximum amount of credit extensions available under the 2012 Credit Agreement exceed \$1.5 billion. The proceeds of loans or letters of credit borrowings under the 2012 Credit Agreement are restricted from being used for hostile acquisitions (as defined in the 2012 Credit Agreement) or for any purpose in contravention of applicable laws. We are not otherwise restricted under the 2012 Credit Agreement from using the proceeds of loans or letters of credit borrowings under the 2012 Credit Agreement for working capital and other general corporate purposes or from using the 2012 Credit Facility to support commercial paper issued by us from time to time. Borrowings under the 2012 Credit Agreement may be denominated in U.S. Dollars, Euros, Sterling and any other currency acceptable to the administrative agent and the lenders, with a non-U.S. currency sub-limit of \$200 million. The 2012 Credit Agreement provides that we may designate certain wholly owned subsidiaries as borrowers under the 2012 Credit Agreement, and the obligations of any such subsidiary borrower must be guaranteed by Harris Corporation. The 2012 Credit Agreement also provides that we may designate certain subsidiaries as unrestricted subsidiaries, which means certain of the representations and covenants in the 2012 Credit Agreement do not apply in respect of such subsidiaries.

At our election, borrowings under the 2012 Credit Agreement denominated in U.S. Dollars will bear interest either at (i) the eurocurrency rate for the applicable interest period plus an applicable margin, or (ii) the base rate plus an applicable margin. The eurocurrency rate for an interest period is the rate per annum equal to (a) the London interbank offered rate ( LIBOR ) for such interest period, divided by (b) a percentage equal to 1.00 minus the daily average eurocurrency reserve rate for such interest period. The applicable interest rate margin over the eurocurrency rate is initially equal to 1.125%, but may increase (to a maximum amount of 1.500%) or decrease (to a minimum amount of 0.875%) based on changes in the ratings of our senior unsecured long-term debt securities ( Senior Debt Ratings ). The base rate is a fluctuating rate per annum equal to the

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highest of (i) the federal funds rate plus 0.50%, (ii) SunTrust Bank's publicly announced prime lending rate for U.S. Dollars, or (iii) the eurocurrency rate determined on a daily basis for a one-month interest period plus 100 basis points. The applicable interest rate margin over the base rate is initially equal to 0.125%, but may increase (to a maximum amount of 0.500%) or decrease (to a minimum amount of 0.000%) based on changes in our Senior Debt Ratings. Borrowings under the 2012 Credit Agreement denominated in a currency other than U.S. Dollars will bear interest at the eurocurrency rate for the applicable interest period plus an applicable margin, as described above, plus, in some cases, mandatory costs. Letter of credit fees are also determined based on our Senior Debt Ratings.

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In addition to interest payable on the principal amount of indebtedness outstanding from time to time under the 2012 Credit Agreement and letter of credit fees, we are required to pay a quarterly unused commitment fee, which accrues at an applicable rate per annum multiplied by the actual daily amount of the lenders' aggregate unused commitments under the 2012 Credit Agreement. The applicable rate per annum for the unused commitment fee is initially equal to 0.125%, but may increase (to a maximum amount of 0.200%) or decrease (to a minimum amount of 0.080%) based on changes in our Senior Debt Ratings.

The 2012 Credit Agreement contains certain customary representations and certain customary covenants, including covenants limiting: certain liens on assets; certain mergers, consolidations or sales of assets; certain sale and leaseback transactions; certain vendor financing investments; and certain investments in unrestricted subsidiaries; and a covenant requiring that we not permit our ratio of consolidated total indebtedness to total capital, each as defined in the 2012 Credit Agreement, to be greater than 0.60 to 1.00 at any time. We were in compliance with the covenants in the 2012 Credit Agreement at March 29, 2013. The 2012 Credit Agreement contains certain events of default, including: failure to make payments; failure to perform or observe terms, covenants or agreements; material inaccuracy of any representation or warranty; payment default under other indebtedness with a principal amount in excess of \$100 million or acceleration of or ability to accelerate such other indebtedness; occurrence of one or more final judgments or orders for the payment of money in excess of \$100 million that remain unsatisfied; incurrence of certain ERISA liability in excess of \$100 million; any bankruptcy or insolvency; invalidity of 2012 Credit Agreement documentation; or a change of control (as defined in the 2012 Credit Agreement, including if a person or group becomes the beneficial owner of 25 percent or more of our voting stock). If an event of default occurs, then the lenders may, among other things, terminate their commitments and declare all outstanding borrowings to be immediately due and payable together with accrued interest and fees. All principal amounts borrowed or outstanding under the 2012 Credit Agreement are due on September 28, 2017, unless the commitments are terminated earlier either at our request or if certain events of default occur. At March 29, 2013, we had no borrowings outstanding under the 2012 Credit Agreement, but we had \$25 million of short-term debt outstanding under our commercial paper program that was supported by the 2012 Credit Facility.

**Note I Accrued Warranties**

Changes in our warranty liability, which is included as a component of the Other accrued items and Other long-term liabilities line items in the accompanying Condensed Consolidated Balance Sheet (Unaudited), during the three quarters ended March 29, 2013 were as follows:

	<b>(In millions)</b>
Balance at June 29, 2012	\$ 40.4
Warranty provision for sales made during the three quarters ended March 29, 2013	14.4
Settlements made during the three quarters ended March 29, 2013	(13.4)
Other adjustments to warranty liability, including those for foreign currency translation, during the three quarters ended March 29, 2013	(7.9)
Balance at March 29, 2013	\$ 33.5

**Table of Contents****Note J Income From Continuing Operations Per Share**

The computations of income from continuing operations per share are as follows (in this *Note J*, income from continuing operations refers to income from continuing operations attributable to Harris Corporation common shareholders):

	Quarter Ended		Three Quarters Ended	
	March 29, 2013	March 30, 2012	March 29, 2013	March 30, 2012
	(In millions, except per share amounts)			
Income from continuing operations	\$ 125.1	\$ 155.3	\$ 395.8	\$ 422.0
Adjustments for participating securities outstanding	(0.9)		(3.1)	
Income from continuing operations used in basic and diluted common share calculations (A)	\$ 124.2	\$ 155.3	\$ 392.7	\$ 422.0
Basic weighted average common shares outstanding (B)	110.6	112.3	111.5	114.9
Impact of dilutive stock options and equity awards	0.6	0.6	0.6	0.6
Diluted weighted average common shares outstanding (C)	111.2	112.9	112.1	115.5
Income from continuing operations per basic common share (A)/(B)	\$ 1.12	\$ 1.38	\$ 3.52	\$ 3.67
Income from continuing operations per diluted common share (A)/(C)	\$ 1.12	\$ 1.38	\$ 3.50	\$ 3.66

Potential dilutive common shares primarily consist of employee stock options and performance share and performance share unit awards.

Employee stock options to purchase approximately 3,156,774 and 5,198,043 shares of our common stock were outstanding at March 29, 2013 and March 30, 2012, respectively, but were not included as dilutive stock options in the computations of income from continuing operations per diluted common share because the effect would have been antidilutive because the options' exercise prices exceeded the average market price of our common stock.

**Note K Non-Operating Income (Loss)**

The components of non-operating income (loss) were as follows:

	Quarter Ended		Three Quarters Ended	
	March 29, 2013	March 30, 2012	March 29, 2013	March 30, 2012
	(In millions)			
Gain on the sale of securities available-for-sale	\$	\$	\$ 9.0	\$
Impairment of cost-method investments			(5.8)	
Impairment of investment in joint venture			(6.4)	
Net royalty income (expense)	(0.5)	8.2	1.5	11.3
Equity method investment income (loss)	0.1	(0.1)	0.1	0.3
Other	(0.1)			0.1
	\$ (0.5)	\$ 8.1	\$ (1.6)	\$ 11.7

**Note L Income Taxes**

Our effective tax rate (income taxes as a percentage of income from continuing operations before income taxes) was 26.9 percent in the third quarter of fiscal 2013 compared with 32.2 percent in the third quarter of fiscal 2012. In the third quarter of fiscal 2013, legislation was enacted that restored the U.S. Federal income tax credit for qualifying research and development expenses. This resulted in a benefit of approximately \$7 million (approximately 4 percent of income from continuing operations before income taxes) in calculating our effective tax rate in the third quarter of fiscal 2013, and we expect it to result in a benefit of approximately \$1 million in calculating our effective tax rate in the fourth quarter

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of fiscal 2013. Additionally, in the third quarter of fiscal 2013, our effective tax rate benefited from additional deductions (primarily manufacturing deductions) claimed on our fiscal 2012 tax return compared with our recorded estimates at the end of fiscal 2012 and favorable tax settlements of approximately \$2.2 million. In the third quarter of fiscal 2012, our effective tax rate benefited from additional tax credits and manufacturing deductions claimed on our fiscal 2011 tax return compared with our recorded estimates at the end of fiscal 2011.

Our effective tax rate was 29.9 percent in the first three quarters of fiscal 2013 compared with 32.9 percent in the first three quarters of fiscal 2012. In the first three quarters of fiscal 2013, our effective tax rate benefited from the discrete items noted above

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regarding the third quarter of fiscal 2013, as well as from tax elections resulting in the deductibility of certain expenses, a reduction in estimated non-U.S. tax liabilities, a reduction in state taxes due to changes in certain state tax laws and confirmation of the availability of certain acquired tax attributes due to audit resolution. In the first three quarters of fiscal 2012, our effective tax rate benefited from the discrete items noted above regarding the third quarter of fiscal 2012 and from a reduction in state taxes due to changes in certain state tax laws and a reduction in estimated tax liabilities.

**Note M Fair Value Measurements**

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

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices included within Level 1, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable or are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3 Unobservable inputs that are supported by little or no market activity, are significant to the fair value of the assets or liabilities, and reflect our own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The following table presents the fair value hierarchy of our assets and liabilities measured at fair value on a recurring basis (at least annually) as of March 29, 2013:

	Level 1	Level 2	Level 3	Total
	(In millions)			
<b>Assets</b>				
Marketable equity securities (1)	\$ 0.1	\$	\$	\$ 0.1
<b>Deferred compensation plan investments (2)</b>				
Money market fund	34.0			34.0
Stock fund	45.2			45.2
Equity security	20.5			20.5
<b>Pension plan investments (3)</b>				
Stock funds	42.3			42.3
Government securities	37.3			37.3
Foreign currency forward contracts (4)		1.6		1.6
<b>Liabilities</b>				
Deferred compensation plans (5)	96.1			96.1
Foreign currency forward contracts (6)		0.8		0.8

(1) Represents investments classified as securities available-for-sale, which we include in the Other current assets line item in the accompanying Condensed Consolidated Balance Sheet (Unaudited).

(2) Represents investments held in a Rabbi Trust associated with our non-qualified deferred compensation plans, which we include in the Other current assets and Other non-current assets line items in the accompanying Condensed Consolidated Balance Sheet (Unaudited).

(3) Represents investments related to our defined benefit plan in the United Kingdom, which we include in the Other non-current assets line item in the accompanying Condensed Consolidated Balance Sheet (Unaudited).

(4)



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Includes derivatives designated as hedging instruments, which we include in the Other current assets line item in the accompanying Condensed Consolidated Balance Sheet (Unaudited). The fair value of these contracts was measured using a market approach based on quoted foreign currency forward exchange rates for contracts with similar maturities.

- (5) Primarily represents obligations to pay benefits under certain non-qualified deferred compensation plans, which we include in the Compensation and benefits and Other long-term liabilities line items in the accompanying Condensed Consolidated Balance Sheet (Unaudited). Under these plans, participants designate investment options (including money market, stock, fixed-income and blended funds), which serve as the basis for measurement of the notional value of their accounts.
- (6) Includes derivatives designated as hedging instruments, which we include in the Other accrued items line item in the accompanying Condensed Consolidated Balance Sheet (Unaudited). The fair value of these contracts was measured using a market approach based on quoted foreign currency forward exchange rates for contracts with similar maturities.

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The following table presents fair value information for certain nonfinancial assets and liabilities measured and recorded at fair value on a nonrecurring basis as of March 29, 2013:

	Fair Value at March 29, 2013	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
(In millions)				
CIS Assets of discontinued operation	\$ 38.0	\$	\$	\$ 38.0

See *Note B Discontinued Operations* in these Notes for additional information.

The following table presents the carrying amounts and estimated fair values of our significant financial instruments that were not measured at fair value (carrying amounts of other financial instruments not listed in the table below approximate fair value due to the short-term nature of those items):

	March 29, 2013		June 29, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(In millions)				
<b>Financial Liabilities</b>				
Long-term debt (including current portion) (1)	\$ 1,891.2	\$ 2,152.2	\$ 1,887.8	\$ 2,148.1

(1) The fair value was estimated using a market approach based on quoted market prices for our debt traded in the secondary market. If our long-term debt in our balance sheet were measured at fair value, it would be categorized in Level 2 of the fair value hierarchy.

**Note N Derivative Instruments and Hedging Activities**

In the normal course of doing business, we are exposed to global market risks, including the effect of changes in foreign currency exchange rates. We use derivative instruments to manage our exposure to such risks and formally document all relationships between hedging instruments and hedged items, as well as the risk-management objective and strategy for undertaking hedge transactions. We recognize all derivatives in the accompanying Condensed Consolidated Balance Sheet (Unaudited) at fair value. We do not hold or issue derivatives for trading purposes.

At March 29, 2013, we had open foreign currency forward contracts with a notional amount of \$82.0 million, of which \$35.8 million were classified as fair value hedges and \$46.2 million were classified as cash flow hedges. This compares with open foreign currency forward contracts with a notional amount of \$103.9 million at June 29, 2012, of which \$63.4 million were classified as fair value hedges and \$40.5 million were classified as cash flow hedges. At March 29, 2013, contract expiration dates ranged from less than 1 month to 12 months with a weighted average contract life of 2 months.

*Balance Sheet Hedges*

To manage the exposure in our balance sheet to risks from changes in foreign currency exchange rates, we implement fair value hedges. More specifically, we use foreign currency forward contracts and options to hedge certain balance sheet items, including foreign currency denominated accounts receivable and inventory. Changes in the value of the derivatives and the related hedged items are reflected in earnings, in the *Cost of product sales and services* line item in the accompanying Condensed Consolidated Statement of Income (Unaudited). As of March 29, 2013, we had outstanding foreign currency forward contracts denominated in the British Pound, Singapore Dollar, Australian Dollar, Mexican Peso and Norwegian Krone to hedge certain balance sheet items. The net gains or losses on foreign currency forward contracts designated as fair value hedges were not material for the quarter and three quarters ended March 29, 2013 or for the quarter and three quarters ended March 30, 2012. In addition, no amounts were recognized in earnings in the quarter and three quarters ended March 29, 2013 or in the quarter and three quarters ended March 30, 2012 related to hedged firm commitments that no longer qualify as fair value hedges.

*Cash Flow Hedges*

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To manage our exposure to currency risk and market fluctuation risk associated with anticipated cash flows that are probable of occurring in the future, we implement cash flow hedges. More specifically, we use foreign currency forward contracts and options to hedge off-balance sheet future foreign currency commitments, including purchase commitments to suppliers, future committed sales to customers and intracompany transactions. These derivatives are primarily being used to hedge currency exposures from cash flows anticipated in our RF Communications and Integrated Network Solutions segments related to programs in Brazil, Canada and the United Kingdom. We also have hedged U.S. Dollar payments to suppliers to maintain our anticipated profit margins in our international operations. As of March 29, 2013, we had outstanding foreign currency forward contracts denominated in the Brazilian Real, Canadian Dollar, Australian Dollar and British Pound to hedge certain forecasted transactions.

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These derivatives have only nominal intrinsic value at the time of purchase and have a high degree of correlation to the anticipated cash flows they are designated to hedge. Hedge effectiveness is determined by the correlation of the anticipated cash flows from the hedging instruments and the anticipated cash flows from the future foreign currency commitments through the maturity dates of the derivatives used to hedge these cash flows. These financial instruments are marked-to-market using forward prices and fair value quotes with the offset to other comprehensive income, net of hedge ineffectiveness. Gains and losses from other comprehensive income are reclassified to earnings when the related hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. The cash flow impact of our derivatives is included in the same category in the accompanying Condensed Consolidated Statement of Cash Flows (Unaudited) as the cash flows of the related hedged items.

The net gains or losses from cash flow hedges recognized in earnings or recorded in other comprehensive income, including gains or losses related to hedge ineffectiveness, were not material in the quarter and three quarters ended March 29, 2013 or in the quarter and three quarters ended March 30, 2012. We do not expect the net gains or losses recognized in the Accumulated other comprehensive loss line item in the accompanying Condensed Consolidated Balance Sheet (Unaudited) as of March 29, 2013 that will be reclassified to earnings from other comprehensive income within the next 12 months to be material.

*Credit Risk*

We are exposed to credit losses in the event of non-performance by counterparties to these financial instruments, but we do not expect any of the counterparties to fail to meet their obligations. To manage credit risks, we select counterparties based on credit ratings, limit our exposure to any single counterparty under defined guidelines and monitor the market position with each counterparty.

See *Note M – Fair Value Measurements* in these Notes for the amount of the assets and liabilities related to these foreign currency forward contracts in the accompanying Condensed Consolidated Balance Sheet (Unaudited) as of March 29, 2013, and see the accompanying Condensed Consolidated Statement of Comprehensive Income (Unaudited) as of March 29, 2013 for additional information on changes in accumulated other comprehensive loss for the quarter and three quarters ended March 29, 2013.

**Note O – Changes in Estimates**

Estimates and assumptions, and changes therein, are important in connection with, among others, our segments' revenue recognition policies related to development and production contracts. Revenue and profits related to development and production contracts are recognized using the percentage-of-completion method, generally based on the ratio of costs incurred to estimated total costs at completion (i.e., the cost-to-cost method). Revenue and profits on cost-reimbursable development and production contracts are recognized as allowable costs are incurred on the contract, and become billable to the customer, in an amount equal to the allowable costs plus the profit on those costs.

Development and production contracts are combined when specific aggregation criteria are met. Criteria generally include closely interrelated activities performed for a single customer within the same economic environment. Development and production contracts are generally not segmented. If development and production contracts are segmented, we have determined that they meet specific segmenting criteria. Change orders, claims or other items that may change the scope of a development and production contract are included in contract value only when the value can be reliably estimated and realization is probable. Possible incentives or penalties and award fees applicable to performance on development and production contracts are considered in estimating contract value and profit rates and are recorded when there is sufficient information to assess anticipated contract performance. Incentive provisions that increase earnings based solely on a single significant event are generally not recognized until the event occurs.

Under the percentage-of-completion method of accounting, a single estimated total profit margin is used to recognize profit for each development and production contract over its period of performance. Recognition of profit on development and production fixed-price contracts requires estimates of the total cost at completion and the measurement of progress toward completion. The estimated profit or loss on a development and production contract is equal to the difference between the estimated contract value and the estimated total cost at completion. Due to the long-term nature of many of our programs, developing the estimated total cost at completion often requires judgment. Factors that must be considered in estimating the cost of the work to be completed include the nature and complexity of the work to be performed, subcontractor performance, the risk and impact of delayed performance, availability and timing of funding from the customer and the recoverability of any claims outside the original development and production contract included in the estimate to complete. At the outset of each contract, we gauge its complexity and perceived risks and establish an estimated total cost at completion in line with these expectations. After establishing the estimated total cost at completion, we follow a standard Estimate at Completion (EAC) process in which management reviews the progress and performance on our ongoing development and production contracts at least quarterly and, in many cases, more frequently. If we successfully retire risks associated with the technical, schedule and cost aspects of a contract, we may lower our estimated total cost at



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completion commensurate with the retirement of these risks. Conversely, if we are not successful in retiring these risks, we may increase our estimated total cost at completion. Additionally, at the outset of a cost-reimbursable contract (for example, contracts containing award or incentive fees), we establish an estimate of total contract value, or revenue, based on our expectation of performance on the contract. As the cost-reimbursable contract progresses, our estimates of total contract value may increase or decrease if, for example, we receive higher or lower than expected award fees. When adjustments in estimated total costs at completion or in estimates of total contract value are determined, the related impact to operating income is recognized using the cumulative catch-up method, which recognizes in the current period the cumulative effect of such adjustments for all prior periods. Anticipated losses on development and production contracts or programs in progress are charged to operating income when identified. Net EAC adjustments resulting from changes in estimates favorably impacted our operating income in the quarter and three quarters ended March 29, 2013 by \$16.2 million (\$0.11 per diluted share) and \$41.9 million (\$0.26 per diluted share), respectively. Net EAC adjustments resulting from changes in estimates favorably impacted our operating income in the quarter and three quarters ended March 30, 2012 by \$15.9 million (\$0.09 per diluted share) and \$29.9 million (\$0.17 per diluted share), respectively.

**Note P Business Segments**

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 or business segments – RF Communications, Integrated Network Solutions and Government Communications Systems. Our RF Communications segment 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. Our Integrated Network Solutions segment provides government, energy and healthcare customers with mission-critical end-to-end information technology (IT) services, managed satellite and terrestrial communications solutions and standards-based healthcare interoperability solutions. Our Government Communications Systems segment 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, intelligence and defense government customers, primarily the U.S. Government. Each business segment is comprised of multiple program areas and product and service lines that aggregate into such business segment.

In the third quarter of fiscal 2012, our Board of Directors approved a plan to exit CIS, which provided remote cloud hosting, and to dispose of the related assets, and we reported CIS as discontinued operations beginning with our financial results presented in our Quarterly Report on Form 10-Q for the third quarter of fiscal 2012. In the fourth quarter of fiscal 2012, our Board of Directors approved a plan to divest Broadcast Communications, which provides digital media management solutions in support of broadcast customers, and we reported Broadcast Communications as discontinued operations beginning with our financial results presented in our Fiscal 2012 Form 10-K. On February 4, 2013, we completed the sale of Broadcast Communications to an affiliate of The Gores Group, LLC pursuant to a definitive Asset Sale Agreement entered into December 5, 2012. Both CIS and Broadcast Communications were formerly part of our Integrated Network Solutions segment. For additional information regarding discontinued operations, see *Note B Discontinued Operations* in these Notes. Our historical financial results, except for disclosures related to our cash flows, have been restated to account for CIS and Broadcast Communications as discontinued operations.

The accounting policies of our business segments are the same as those described in Note 1: Significant Accounting Policies in our Fiscal 2012 Form 10-K and in *Note O Changes in Estimates* in these Notes. We evaluate each segment's performance based on its operating income or loss, which we define as profit or loss from operations before income taxes excluding interest income and expense, royalties and related intellectual property expenses, equity method investment income or loss and gains or losses from securities and other investments. Intersegment sales are generally transferred at cost to the buying segment and the sourcing segment recognizes a profit that is eliminated. The Corporate eliminations line item in the tables below represents the elimination of intersegment sales and their related profits. The Unallocated corporate expense line item in the tables below represents the portion of corporate expenses not allocated to our business segments.

Total assets by business segment are summarized below:

	March 29, 2013	June 29, 2012
	(In millions)	
<b>Total Assets</b>		
RF Communications	\$ 1,275.7	\$ 1,344.8
Integrated Network Solutions	1,841.0	1,854.3
Government Communications Systems		