HARRIS CORP /DE/
Form 10-K
August 31, 2015
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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 3, 2015

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	**34-0276860**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1025 West NASA Boulevard	
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 þ 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 þ

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 þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 þ 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. ¨

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	þ	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 þ

The aggregate market value of the voting common equity held by non-affiliates of the registrant was $7,661,373,191 (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 (January 2, 2015). For purposes of this calculation, the registrant has assumed that its directors and executive officers as of January 2, 2015 are affiliates.

The number of shares outstanding of the registrant s common stock as of August 28, 2015 was 124,070,999.

Documents Incorporated by Reference:

Portions of the registrant s definitive Proxy Statement for the 2015 Annual Meeting of Shareholders scheduled to be held on October 23, 2015, which will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant s fiscal year ended July 3, 2015, 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 3, 2015

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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. 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, systems, technologies, services or developments; future economic conditions, performance or outlook; the outcome of contingencies; the potential level of share repurchases or dividends; 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, intends, plans, estimates, anticipates, projects and similar words or expressions. You should not place undue reliance on these forward-looki 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, from our current expectations or projections or from our historical results 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 on 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 are made as of the date of filing of this Report, and we disclaim any intention or obligation, other than imposed by law, to update or revise any forward-looking statements, whether as a result of new information, future events or developments or otherwise, after the date of filing of this Report or, in the case of any document incorporated by reference, the date of that document.

PART I

ITEM 1. BUSINESS.

HARRIS

Harris Corporation, together with its subsidiaries, provides advanced, technology-based solutions that solve government and commercial customers mission-critical challenges. As of the end of fiscal 2015, we had approximately 22,300 employees including approximately 9,200 engineers and scientists supporting customers in more than 125 countries. Our largest customers are U.S. Government customers and their prime contractors.

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. Unless the context otherwise requires, the terms we, our, us, Company an 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 for fiscal 2015 we reported the financial results of our continuing operations in the following four business segments:

- RF Communications, serving (i) U.S. Department of Defense and International Tactical Communications and (ii) Public Safety and Professional Communications markets;
- Government Communications Systems, serving (i) Civil, (ii) National Intelligence and (iii) Defense markets;
- Integrated Network Solutions, serving (i) IT Services and (ii) Managed Satellite and Terrestrial Communications Solutions markets, and which also served the Commercial Healthcare Solutions market until July 1, 2015, when we completed the divestiture of our commercial healthcare solutions operation (HCS); and
- Exelis, which segment results from our acquisition of Exelis Inc. and its subsidiaries on May 29, 2015, provides positioning and navigation, sensors, air traffic management solutions, image processing and distribution, communications and information systems.

On July 1, 2015, we announced that effective for fiscal 2016 (which began July 4, 2015), our segment reporting would be adjusted to reflect our new organizational structure. Our segment reporting for fiscal 2016 will consist of the following four business segments: (1) Communication Systems, serving markets in tactical and airborne radios, night vision technology, and defense and public safety networks; (2) Critical Networks, providing managed services supporting air traffic management, energy and maritime communications, and ground network operation and

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sustainment, as well as high-value information technology (IT) and engineering services; (3) Electronic Systems, offering an extensive portfolio of solutions in electronic warfare, avionics, wireless technology, command, control, communications, computers and intelligence (C4I), undersea systems and aerostructures; and (4) Space and Intelligence Systems, providing complete earth observation, weather, geospatial, space protection, and intelligence solutions from advanced sensors and payloads, as well as ground processing and information analytics. These adjustments to our segment reporting take effect in fiscal 2016 and therefore do not affect the historical results, discussion or presentation of our business segments as set forth in this Annual Report on Form 10-K. We will begin to report our financial results consistent with this new segment reporting structure beginning with the first quarter of fiscal 2016.

At the beginning of the first quarter of fiscal 2014, to leverage the breadth of our IT enterprise network and information assurance capabilities for the IT services market, we began managing our cyber security network testing operation as part of our Integrated Network Solutions segment rather than our Government Communications Systems segment. As a result, we reassigned $2 million of goodwill (determined on a relative fair value basis) to our Integrated Network Solutions segment from our Government Communications Systems segment. The historical results, discussion and presentation of our business segments as set forth in this Report have been adjusted to reflect the impact of this change to our business segment reporting structure for all periods presented in this Report.

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 completed the sale of the remaining assets of CIS in the first quarter of fiscal 2014. In the fourth quarter of fiscal 2012, our Board of Directors approved a plan to divest our broadcast communications operation (Broadcast Communications), which provided digital media management solutions in support of broadcast customers, and we completed the sale of Broadcast Communications in the third quarter of fiscal 2013. Both CIS and Broadcast Communications were formerly part of our Integrated Network Solutions segment. For additional information regarding discontinued operations, see *Note 3: Discontinued Operations* in the Notes to Consolidated Financial Statements in this Report (the Notes). Except for disclosures related to our cash flows, or unless otherwise specified, disclosures in this Report relate solely to our continuing operations.

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

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 24: Business Segments* in the Notes and is incorporated herein by reference.

Recent Acquisitions and Divestitures

Acquisition of Exelis Inc. On May 29, 2015, we acquired publicly held Exelis Inc. (collectively with its subsidiaries, Exelis), a diversified, top-tier global aerospace, defense, information and services company that leverages its deep customer knowledge and technical expertise to deliver affordable, mission-critical solutions to military, government and commercial customers in the United States and globally. Exelis is a leader in positioning and navigation, sensors, air traffic management solutions, image processing and distribution, communications and information systems; and focused on strategic growth in the areas of critical networks, intelligence, surveillance and reconnaissance (ISR) and analytics, electronic warfare and composite aerostructures. Each outstanding share of Exelis common stock converted into the right to receive $16.625 in cash and 0.1025 of a share of Harris common stock. Legacy Harris shareholders own 84 percent of the combined company and legacy Exelis shareholders own 16 percent. Based on the closing price of $79.22 per share of Harris common stock on the New York Stock Exchange on May 29, 2015, the date of the closing of the acquisition, the aggregate implied value of the consideration paid to former holders of Exelis common stock in connection with the acquisition was approximately $4.7 billion, including approximately $1.5 billion in Harris common stock and approximately $3.2 billion in cash (including cash paid in respect of share-based awards and net of cash acquired). The source of funds for such cash payment was cash on hand and third-party debt financing, including a combination of borrowings under our new senior unsecured term loan facility in an aggregate principal amount of $1.3 billion and a portion of the proceeds from our issuance of new debt securities in an aggregate principal amount of $2.4 billion. Our acquisition of Exelis creates significantly greater scale, bringing together two engineering-driven companies and workforces with similar cultures that value technology leadership. Together, the two companies complementary technologies and capabilities strengthen core franchises and provide new opportunities for innovation to solve our customers most complex challenges. Exelis had annual sales of

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$3.277 billion in calendar 2014. Our Consolidated Financial Statements in this Report include Exelis results of operations from May 29, 2015 through July 3, 2015. For segment reporting purposes Exelis has been identified as a separate segment. For additional information related to the acquisition of Exelis and reporting segments See *Note 4: Business Combinations* and *Note 24: Business Segments* in the Notes.

Divestiture of Commercial Healthcare Solutions Operation. On, July 1, 2015, we completed the divestiture of HCS. We continued to report the results of HCS through the date of divestiture as part of our Integrated Network Solutions segment.

Description of Business by Segment

RF Communications

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

U.S. Department of Defense and International Tactical Communications Market: We design, develop and manufacture a comprehensive line of secure radio communications products and systems for manpack, handheld, vehicular, airborne, strategic fixed-site and shipboard installations that span the communications architecture from High Capacity Line of Site, backbone radios to small soldier personal radios and tablet computers. The radios operate in various radio frequency bands, including high-frequency, very high-frequency, ultra high-frequency (UHF) and L-band, with higher frequencies supported for some of our network backbone products. Our radio systems are highly flexible, interoperable and capable of supporting diverse mission requirements. Our Falcon® families of tactical radios are built on software-defined radio platforms that are 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 and their command structures and support organizations. It also 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 radio systems have been widely deployed throughout all branches of the U.S. Department of Defense (DoD) and, in the international market, have been sold to more than 100 countries through our international distribution channels consisting of regional sales offices and a broad dealer network and have become the standard in many of those countries.

Unlike many of our competitors operating on a government-funded programs-driven business model, we operate in this market on a commercial customer-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, enabling us to bring products to market faster and adapt to changing customer requirements. We believe the U.S. market is transitioning from operational tempo to a modernization cycle driven by wideband technology and that demand in the international market is being driven not only by the transition to wideband capability, but also by the need for network system solutions. Our extensive line of radios is designed to operate and interface well together and support a variety of tactical requirements, which we believe gives us a competitive advantage in the international market, where fully integrated solutions for command, control and communications are often required. We believe our unique commercial business model that drives speed and innovation, coupled with the scale provided by our extensive international presence, will continue to make us competitive in the global market.

Our Falcon III® family of radios is the next generation of multiband, multi-mission tactical radios supporting U.S. and international 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 the support of wideband networking waveforms, extended frequency range and significant reductions in weight and size compared with previous generations. Our Falcon III radios are used in a wide variety of ground, vehicular and airborne applications and include the following:

Our multiband manpack radio, the AN/PRC-117G (117G), which provides wideband networking capability, enabling enhanced situational awareness through high-bandwidth applications such as streaming video, simultaneous voice and data feeds, collaborative chat and connectivity to secure networks, and which is National Security Agency (NSA) Type-1-certified for narrowband communications, as well as for wideband communications using our Harris-developed Adaptive Networking Wideband Waveform for high bandwidth data operation and the U.S. military Joint Tactical Radio System (JTRS) Soldier Radio Waveform;

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- Our 2-channel vehicular radio system, the AN/VRC-118, which uses the DoD-developed Wideband Networking Waveform and was selected as the U.S. Army s solution for its JTRS Mid-Tier Networking Vehicular Radio program;
- Our multiband handheld radios, the AN/PRC-152 (152), which is the world s most widely fielded JTRS-approved software-defined handheld radio and offers a wide range of capabilities, and the AN/PRC-152A, which builds on our 152 by adding wideband, networked communications capability and is the first radio of its kind to support both a full range of narrowband legacy waveforms and wideband networking waveforms in a handheld platform; and
- Our multi-channel manpack radio, the AN/PRC-158 (158), which is the first and only commercially developed, NSA Type-1-certified radio offering two channels integrated into the same chassis, and our wideband rifleman team radio, the RF-330E (330E), which is the commercially developed U.S. variant of our widely fielded international soldier personal radio.

We have been investing to position ourselves for tactical radio modernization opportunities, including in our 158 and 330E, which are our next-generation manpack and rifleman radio solutions for the JTRS Handheld, Manpack and Small Form Fit (HMS) program. The U.S. Army has changed its procurement strategy for the JTRS HMS program to full and open competition and a multi-vendor award, allowing us an opportunity to compete. In fiscal 2015, we were awarded a 10-year (5-year base, 5 option years), $3.9 billion ceiling, multi-award Indefinite Delivery Indefinite Quantity (IDIQ) contract from the U.S. Army for rifleman radios and associated services under the JTRS HMS program. Other major tactical radio procurements underway that we are pursuing include manpack radios for the U.S. Army s JTRS HMS program and handheld and manpack radios for the U.S. Special Operations Command s modernization effort. We also have received orders for our 158 from three different DoD customers and began shipments in fiscal 2015. Our investments also include incorporating into our products the powerful Mobile User Objective System (MUOS) waveform for the DoD s next-generation military satellite communications (SATCOM) system. We are embedding MUOS capability in our 158, as well as offering it as a separate simple and fast software upgrade for widely fielded 117Gs, creating an opportunity for the DoD to transition its 117G inventory to MUOS-capable radios and quickly maximize the use of the satellite infrastructure.

Examples of significant international awards for us in fiscal 2015 include the following:

- A 4-year, C$180 million ceiling, single-award IDIQ contract from the Canadian Department of National Defense;
- A $74 million order from an international customer for the next phase of a tactical communications modernization program;
- Orders from Australia of $55 million for technical and logistics support for the Joint Project 2072 Battlespace Communications program; and
- A number of other significant international orders, many of which are a part of multi-year programs or larger opportunities, across a broad customer base, including orders totaling $244 million from countries in the Middle East; $21 million from a country in Central Asia; $18 million from a country in Asia; $18 million from the Philippines; and $26 million and $16 million from two NATO countries.

Public Safety and Professional Communications Market: We supply *assured communications*® systems and equipment for public safety, Federal, utility, commercial and transportation organizations.

We design, build, distribute, maintain and supply wireless communications systems. Our Voice, Interoperability, Data and Access (VIDA) network platform is a unified Internet Protocol (IP) based voice and data communications system that provides network-level interoperable communications among public safety agencies by supporting a full line of communications systems, including OpenSky®, NetworkFirst, P25^{IP} and Enhanced Digital Access Communication System. 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. We also are investing in next-generation, secure public safety-grade Long Term Evolution (LTE) solutions for voice, video and data applications.

We also offer a full range of single-band land mobile radio terminals, as well as our Unity™ family of multiband radios, including a handheld radio and a full-spectrum mobile radio for vehicles. Our Unity multiband radios cover all public safety frequency bands in a single radio; operate on Association of Public Safety Communications Officials International (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 standard for mission-critical communications. Our Unity radios multiband, multi-mode capabilities enable a single radio to communicate with multiple organizations, jurisdictions and

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agencies operating on different frequencies and systems, providing a significant improvement over many 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. In fiscal 2015, we introduced our new XG-15 portable radio, which extends our product offerings and provides public service workers with APCO P25 capability at a competitive price. We also offer dispatch console systems.

Other examples of our Public Safety and Professional Communications solutions and services include the following:

- We are designing and building the Alberta First Responders Radio Communications System that will provide public safety communications within the 256,000 square-mile Province of Alberta, Canada;
- We are deploying a communications network for the San Francisco Municipal Transportation Authority to increase operational efficiencies, improve safety and provide interoperability with public safety agencies;
- We are deploying an APCO P25 system for the U.S. Marine Corps Installations East region that also will provide interoperability with civilian agencies;
- We are designing and deploying a VIDA network system for the Trinidad and Tobago Ministry of National Security that will improve voice and data communication and provide interoperability among first responders and the Ministry s agencies; and
- We are designing, deploying and maintaining an APCO P25 system for the New York Metropolitan Transit Authority Police to connect their police operations throughout 14 counties in New York and Connecticut and help them support more than 14 million daily commuters.

Revenue, Operating Income and Backlog: Revenue for our RF Communications segment decreased 2.9 percent to $1.775 billion in fiscal 2015 compared with $1.828 billion in fiscal 2014, and was $1.849 billion in fiscal 2013. Segment operating income decreased 2.3 percent to $549 million in fiscal 2015 compared with $562 million in fiscal 2014, and was $577 million in fiscal 2013. The percentage of our revenue contributed by this segment was 35 percent in fiscal 2015 compared with 36 percent in fiscal 2014 and 36 percent in fiscal 2013. The percentage of this segment s revenue that was derived outside of the U.S. was approximately 59 percent in fiscal 2015 compared with approximately 54 percent in fiscal 2014 and 44 percent in fiscal 2013. The percentage of this segment s 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 funded through the U.S. Government, whether directly or through prime contractors, was approximately 38 percent in fiscal 2015 compared with approximately 46 percent in fiscal 2014 and 43 percent in fiscal 2013. For a general description of our U.S. Government contracts and subcontracts, including a discussion of revenue generated thereunder and of 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. For a general description of our international business, see Item 1. Business International Business of this Report.

The funded backlog for this segment was $1.0 billion at the end of fiscal 2015 compared with $1.1 billion at the end of fiscal 2014 and $1.3 billion at the end of fiscal 2013. 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.

Government Communications Systems

Government Communications Systems conducts advanced research studies, develops prototypes, and produces state-of-the art spaceborne, airborne and terrestrial communications and information processing systems that solve the mission-critical challenges of our civilian, intelligence and defense government customers worldwide, primarily the U.S. Government. Government Communication Systems serves (i) Civil, (ii) National Intelligence and (iii) Defense markets.

Civil Market: We provide highly reliable, mission-critical communications and information processing systems that meet the most demanding needs of civilian U.S. Government agencies, 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 to achieve cost savings for our customers. Our networks

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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, in which our systems consisting of complex suites of hardware and software receive sensor data from satellites and turn it into useable information.

As an example of our capabilities, we are the prime contractor and system architect under a 20-year contract awarded in July 2002, with a potential value of $5 billion, for the FAA Telecommunications Infrastructure (FTI) program to integrate, modernize, operate and maintain the communications infrastructure for the U.S. air traffic control system. We designed and deployed, and are currently operating and maintaining, the FTI network, which is a fully operational, modern, secure and efficient network providing voice, data and video communications deployed at approximately 4,500 FAA sites across the U.S. (including administrative sites supported by the FTI network).

We recently have been awarded multiple contracts for essential elements of the FAA s multi-billion dollar Next Generation Air Transportation System (NextGen) initiative to transform the U.S. air traffic control system to meet future requirements, including:

- 7-year contracts, with an aggregate contract value of $481 million, for the Data Communications Integrated Services (Datacomm) program (including the Data Communications Network Service component) to transform voice-based air traffic control to automated air traffic management;
- A 15-year, $291 million NextGen National Airspace System (NAS) Voice System contract to create a modern Voice Over Internet Protocol (VoIP) network for communications among air traffic controllers, pilots and ground personnel;
- An 8-year, $238 million single-award IDIQ contract from the FAA for the Common Support Services Weather program to design and implement a system that provides real-time weather information across the NAS; and
- A 5-year, $63 million NAS Enterprise Messaging Service IDIQ contract that provides the Systems Wide Information Management program with enterprise-wide data sharing for a variety of critical information such as flight planning, traffic flow, surface radar and weather.

We also have developed a number of other solutions under FAA programs, including a voice switching and control system providing the critical air-to-ground communications links between en-route aircraft and air traffic controllers throughout the continental U.S.; an integrated weather briefing and flight planning system for Alaska s general aviation community, for which we were awarded a follow-on contract in fiscal 2015; a meteorological data processing system that generates radar mosaic data for air traffic controller displays and delivers weather data to critical subsystems within the NAS; and a satellite-based Alaskan NAS interfacility communications system linking the Alaskan Air Route Traffic Control Center in Anchorage with FAA facilities throughout the region.

Another example of our capabilities relates to the NOAA Geostationary Operational Environmental Satellite Series R (GOES-R) Ground and Antenna Segment weather programs. Under two 10-year contracts, with an aggregate potential value of approximately $1 billion (including change orders), we are providing a complete, end-to-end solution to 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. In fiscal 2013, the GOES-R weather program transitioned from the design and development phase to the integration, test and deployment phase.

We also are modernizing the ground segment of the Tracking and Data Relay Satellite System (TDRSS) network under a 5-year contract, potentially worth $140 million, for the Space Network Ground Segment Sustainment (SGSS) program for the National Aeronautics and Space Administration (NASA). The TDRSS network is used by satellites and spacecraft in low-Earth orbit to relay data continuously to ground stations in White Sands, New Mexico and in Guam. The modernization will improve situational awareness for TDRSS network operators, upgrade computing and signal processing equipment, enhance reliability and maintainability, improve efficiency and reduce operations and sustainment costs.

National Intelligence Market: A significant portion of this market involves classified programs. Although 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 associated with other U.S. Government programs.

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

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intelligence and security agency customers, including the NSA, the National Reconnaissance Office 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.

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. Applicable 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, terrain, status and 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 also are a leader in the design and development of antenna and reflector technologies for commercial space telecommunications applications. With more than 50 reflectors in orbit, we are the leading supplier of large reflector apertures and deployable mesh antenna systems for government and commercial applications.

In fiscal 2015, we were awarded a number of new contracts and follow-on contracts under classified programs, including a 5-year, $300 million single-award IDIQ contract to integrate various intelligence systems, and a $23 million contract from a classified customer for space situational awareness. We also introduced two new space reflector products a first-to-market 5-meter unfurlable Ka-band antenna serving a growing market for high throughput satellites and a new lightweight fixed-mesh reflector. In fiscal 2014, we were awarded two 5-year, single-award IDIQ contracts, with an aggregate contract value of $773 million, by the NGA for the Foundation GEOINT Content Management (FGCM) program to provide imagery products for two of three regions $365 million for Region A for the U.S. Pacific Command and U.S. Northern Command and $408 million for Region C for the U.S. Africa Command and U.S. Southern Command.

We also are leveraging our core capabilities to address adjacencies and create new opportunities. For example, we are supplying Aireon, LLC with 81 automatic dependent surveillance-broadcast (ADS-B) receiver payloads that will be part of a satellite-based aircraft tracking system to enhance global air traffic control. The payloads will be hosted on the Iridium NEXT satellite constellation, but will provide a capability separate from the main mission of the constellation, and we are adding other customers and increasing the number of payloads. In fiscal 2015, we received an order from exactEarth Ltd. to place 58 commercially-hosted payloads on the Iridium NEXT constellation to track maritime vessels, and we were awarded a $495 million multi-vendor IDIQ contract from the U.S. Air Force for the Hosted Payload Solutions program for commercial hosting capabilities for U.S. Government payloads, which provides us a contract vehicle to pursue additional opportunities.

Defense Market: 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, processors, sensors, data buses, fiber optics and microelectronics; and high-speed data links and data networks for wireless communications. We also develop and supply state-of-the-art wireless voice and data products and solutions.

Examples of ongoing programs for us in this market include the following:

The U.S. Army Modernization of Enterprise Terminals (MET) program, for which we are developing, under a 10-year contract awarded in fiscal 2009 with a potential value of $600 million, 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, providing critical reach-back capability for the warfighter;

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The F-35 Joint Strike Fighter (F-35) 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 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; and

The U.S. Navy s Commercial Broadband Satellite program, for which we are providing shipboard terminals that give crews access to high-bandwidth voice and data communications.

Revenue, Operating Income and Backlog: Revenue for our Government Communications Systems segment increased 3.0 percent to $1.855 billion in fiscal 2015 compared with $1.801 billion in fiscal 2014, and was $1.784 billion in fiscal 2013. Segment operating income increased 5.4 percent to $292 million in fiscal 2015 compared with $277 million in fiscal 2014, and was $252 million in fiscal 2013. The percentage of our revenue contributed by this segment was 36 percent in fiscal 2015 compared with 36 percent in fiscal 2014 and 35 percent in fiscal 2013. The percentages of this segment s revenue under contracts directly with end customers and under contracts with prime contractors were approximately 75 percent and 25 percent, respectively, in fiscal 2015 compared with approximately 74 percent and 26 percent, respectively, in fiscal 2014 and 73 percent and 27 percent, respectively, in fiscal 2013. In fiscal 2015, this segment had a diverse portfolio of over 200 programs. Some of this segment s more significant programs in fiscal 2015 included FGCM, F-35, wireless products, SATCOM terminals, Highband Networking Radios, airborne mission radios and various classified programs. The percentages of this segment s revenue in a particular fiscal year represented by this segment s largest program by revenue in such fiscal year and ten largest programs by revenue in such fiscal year were approximately 14 percent and 56 percent, respectively, in fiscal 2015 compared with approximately 14 percent and 53 percent, respectively, in fiscal 2014 and 13 percent and 49 percent, respectively, in fiscal 2013. The percentage of this segment s 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 funded through the U.S. Government, whether directly or through prime contractors, was approximately 93 percent in fiscal 2015 compared with approximately 93 percent in fiscal 2014 and 93 percent in fiscal 2013. For a general description of our U.S. Government contracts and subcontracts, including a discussion of revenue generated thereunder and of cost-reimbursable versus fixed-price contracts, see Item 1. Business Principal Customers; Government Contracts of this Report.

The funded backlog for this segment was $1.0 billion at the end of fiscal 2015 compared with $918 million at the end of fiscal 2014 and $948 million at the end of fiscal 2013. Unfunded backlog for this segment was $2.9 billion at the end of fiscal 2015 compared with $3.3 billion at the end of fiscal 2014 and $2.5 billion at the end of fiscal 2013. 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.

Integrated Network Solutions

Integrated Network Solutions provides integrated communications and information technology and services, including a variety of trusted networking capabilities, to support government, energy and maritime customers. Integrated Network Solutions serves (i) IT Services and (ii) Managed Satellite and Terrestrial Communications Solutions markets and also served the Commercial Healthcare Solutions market until July 1, 2015, when we completed the divestiture of HCS.

IT Services Market: We are a leading systems and network integrator and prime contractor providing mission-critical, end-to-end IT services for defense, intelligence, homeland security and civilian government customers. We have positions as a prime contractor on many key U.S. Government IDIQ contract vehicles related to IT services.

Examples of our work in designing, integrating, deploying, operating and supporting secure communications systems and information networks for complex, mission-critical applications include the following:

We are providing 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, a global, continuously operational network of ground stations, operational control nodes and communications links that support launch and command and control (C2) of various space programs managed by the DoD and other national security space organizations, under the Network and Space Operations and Maintenance (NSOM) program, and we are a leader in satellite mission C2 systems, which 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;

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- We are providing the Canadian government with engineering and logistics services to support the avionics systems on the CF-18 Hornet fighter aircraft under the CF-18 Avionics Optimized Weapon System Support program;
- We are providing IT integration of installation, training, help desk, passport and configuration management services for the U.S. Department of State under the Consular Affairs Support Services Contract in support of more than 240 U.S. embassies and consulates around the world;
- We are providing comprehensive operational and system maintenance support and engineering and technology enhancements for the Defense Information Systems Agency Crisis Management System for which we were awarded a new, 10-year, $450 million single award IDIQ contract in fiscal 2015;
- We are providing enterprise IT support services to the North American Air Defense Command and the U.S. Northern Command; and
- We are (i) providing electronic health record interoperability to enhance continuity of care between the DoD and the Department of Veterans Affairs (VA), (ii) designing and installing a wireless network for VA medical centers and (iii) improving electronic data interoperability for claims processing, as one of eight companies in the large business category awarded the 5-year Transformation Twenty-One Total Technology IDIQ contract vehicle from the VA designed to upgrade the VA s IT system and covering services to streamline and modernize VA operations, including patient care delivery at more than 150 VA hospitals.

Managed Satellite and Terrestrial Communications Solutions Market: Harris CapRock Communications is a global provider of end-to-end fully-managed hybrid communications network solutions to critical operations in remote and harsh locations for energy, maritime and government customers. We own and operate a robust global infrastructure that includes teleports on six continents; network operations centers running 24 hours per day, seven days per week; local presence in 23 countries; and over 200 global field service personnel supporting customer locations in more than 80 countries across North America, Central and South America, Europe, Africa and Asia-Pacific. Our customers include major land-based and offshore energy, mining and engineering and construction companies; leading transocean shipping and cruise line companies; and government and military customers with defense and intelligence missions. We combine satellite, terrestrial and wireless technologies to provide comprehensive communications solutions that connect customers remote sites with each other and with distant headquarters. Our solutions focus on voice, data and networking solutions for remote sites and are supported by a global managed satellite network.

Examples of our hybrid communications network solutions include the following:

- We are providing satellite communications services, including all shipboard equipment, onboard IT system integration and satellite bandwidth, under multi-year agreements covering over 700 sites operating worldwide for one energy customer and over 80 sites operating worldwide for another energy customer;
- We are providing data, voice and networking service to drilling ships operating in offshore Brazil and satellite communications to drilling ships operating in offshore Norway;
- We are delivering turnkey managed satellite communications to a fleet of 58 offshore supply vessels operating in the North Sea, Brazil, Australia and Indian Pacific regions and managed communication services on over 300 commercial shipping and service vessels;
- We are providing managed global satellite communications services for a major cruise line across its fleet of more than 100 cruise ships and providing managed global communications services for more than 30 cruise ships for another major cruise line to improve overall communications performance and enhance guest and crew experiences; and
- We are providing managed service networks leveraging 2 GHz of C-, Ku-, UHF- and X-band commercial space segment capacity for monitoring and control, teleport services, terrestrial communications, operations and maintenance to DoD agency customers operating around the world and to classified customers, supporting a range of missions, including airborne ISR, tactical field-deployed communications and continuity of operations.

Commercial Healthcare Solutions Market: We offered commercial and international healthcare providers a full range of interoperability and business intelligence solutions until we completed the divestiture of HCS on July 1, 2015. Our interoperability solutions included FusionFX®, which was our new vendor-neutral integrated suite of software tools that advanced our previous interoperability platform by incorporating a new service-oriented architecture foundation and that integrated with leading electronic health record and other legacy systems to securely bring together patient information from across the continuum of care and make it available to clinical teams for value-based, accountable and coordinated care.

Revenue, Operating Income and Backlog: Revenue for our Integrated Network Solutions segment decreased 14.4 percent to $1.253 billion in fiscal 2015 compared with $1.463 billion in fiscal 2014, and was $1.576 billion in fiscal 2013. Segment operating income decreased 63.8 percent to $42 million in fiscal 2015 compared with

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$116 million in fiscal 2014, and was $80 million in fiscal 2013. The percentage of our revenue contributed by this segment was 25 percent in fiscal 2015 compared with 29 percent in fiscal 2014 and 31 percent in fiscal 2013. The percentages of this segment s revenue under contracts directly with end customers and under contracts with prime contractors were approximately 80 percent and 20 percent, respectively, in fiscal 2015 compared with approximately 77 percent and 23 percent, respectively, in fiscal 2014 and 78 percent and 22 percent, respectively, in fiscal 2013. The percentage of this segment s revenue that was derived outside of the U.S. was approximately 38 percent in fiscal 2015 compared with approximately 33 percent in fiscal 2014 and 30 percent in fiscal 2013. The percentages of this segment s revenue in a particular fiscal year represented by this segment s largest U.S. Government program by revenue in such fiscal year and five largest U.S. Government programs by revenue in such fiscal year were approximately 7 percent and 24 percent, respectively, in fiscal 2015 compared with approximately 9 percent and 28 percent, respectively, in fiscal 2014 and 9 percent and 29 percent, respectively, in fiscal 2013. The percentage of this segment s 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 funded through the U.S. Government, whether directly or through prime contractors, was approximately 54 percent in fiscal 2015 compared with approximately 60 percent in fiscal 2014 and 62 percent in fiscal 2013. For a general description of our U.S. Government contracts and subcontracts, including a discussion of revenue generated thereunder and of 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. For a general description of our international business, see Item 1. Business International Business of this Report.

The funded backlog for this segment was $853 million at the end of fiscal 2015 compared with $973 million at the end of fiscal 2014 and $934 million at the end of fiscal 2013. Unfunded backlog for this segment was $777 million at the end of fiscal 2015 compared with $921 million at the end of fiscal 2014 and $1.1 billion at the end of fiscal 2013. 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.

Exelis

As described above, we completed the acquisition of Exelis on May 29, 2015, approximately one month prior to the end of our fiscal 2015. Exelis is a diversified aerospace, defense, information and services business that leverages its deep customer knowledge and technical expertise to deliver affordable mission-critical solutions to military, government and commercial customers in the United States and globally. Exelis, provides positioning and navigation, sensors, air traffic management solutions, image processing and distribution, communications and information systems.

We provide engineered systems and solutions, including ISR systems; geospatial systems; positioning, navigation and timing solutions; integrated electronic warfare systems; electronic attack and release systems; radar and reconnaissance systems; undersea systems; composite aerostructures; and communications and night vision systems for government and commercial customers globally. We provide integrated real-time, autonomous geospatial solutions, extending from image and data collection through processing, exploitation and dissemination of actionable intelligence. Our specialized capabilities include highly reliable remote sensing systems for ground, air and space, offering active and motion imaging; data encryption; information processing; real-time forensic and predictive analytics; and system performance modeling and simulation. We also provide ground processing and analytics solutions that map and monitor Earth for a variety of commercial and government users. Our environmental systems monitor and evaluate our global environment with ground based and space based remote sensing, change detection, and data processing. We also supply GPS navigation systems, providing high-performance, reliable, cost-effective GPS payload, receiver and control solutions. We have recently developed new GPS satellite navigation payload technologies to improve GPS accuracy and reliability under the GPS III program, as a subcontractor on a team developing and building tomorrow s GPS for the U.S. Air Force. In addition to satellite modernization efforts, the next-generation Global Positioning System Operational Control System (GPS OCX) will provide a new command, control and mission support system for all current and future GPS satellites based on a modern, service-oriented architecture. We are providing the key navigation processing elements and precision monitor station receivers for the GPS OCX program that includes advanced anti-jam capabilities and improved system security, accuracy and reliability.

We design, develop, produce and sell electronic warfare solutions to most U.S. military service branches and to classified customers and allied nations and produce electronic warfare countermeasures solutions for tactical and strategic aircraft. We are a key player on airborne platforms such as the U.S. Navy s F/A-18 and U.S. special

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operations forces MH-60, MH-47 and CV-22 aircraft. We also design and produce aircraft-armament suspension and release equipment and weapons interface systems for fighter jets, surveillance aircraft and unmanned aerial vehicles for the U.S. military and allied forces. Our products also include advanced antenna technologies which provide communication, navigation, direction-finding and electronic warfare capabilities for military and commercial aircraft. We also design and manufacture high performance radar systems and signal intelligence systems for both domestic and international military customers. Our core radar capabilities include air defense radars, air traffic control (ATC) radars and airborne multifunction radars. We provide electronic warfare and signals intelligence systems for reconnaissance and surveillance for electronic intelligence, electronic support measures, electronic counter measures and signals intelligence applications.

We develop advanced, custom solutions which provide our government and commercial customers with self-protection, data protection, enhanced communications and situational awareness. We specialize in satellite based communications systems, ground electronic warfare systems, commercial wireless technologies, tagging, tracking and locating, and information assurance. To combat the anti-access/area denial (A2/AD) threat, we leverage an adaptive multiplatform approach to ensure that users can connect and share data globally without being constrained by terrain or distance. We integrate data devices into A2/AD-resilient architectures which provide a secure global backbone for C4ISR capabilities against sophisticated adversaries.

We supply to the U.S. Navy and allied navies a broad range of undersea warfare systems for maritime platforms and environments, including mine sweeping systems, shipboard command and control systems, anti-submarine warfare (ASW) sonar systems, data link systems, submarine flank and passive towed arrays, and acoustic sensors for military and commercial uses. We are the largest U.S. manufacturer of influence and mechanical mine sweeping systems and are a trusted provider of mine defense solutions to the U.S. Navy.

We design and manufacture technically advanced, lightweight composite aerospace assembly structures, sub-assemblies and components for defense and commercial industries in applications from large commercial transport aircraft to fighter jets and commercial and military rotorcraft. Our composite design and fabrication expertise can be found on many commercial platforms, such as Boeing s 7-series family, Airbus s A380 aircraft, General Electric s GEnx engine, and Sikorsky s S-76 helicopter. For defense programs, we provide a wide range of products, including complete structural assemblies, flight critical components, and primary and secondary structural elements for platforms such as the F-35 Lightning II, the CH-53K Heavy Lift Helicopter and the Joint Air-to-Surface Standoff Missile.

We design and manufacture wireless tactical communications systems for U.S. and allied forces, as well as many government agencies. In addition to our widely deployed Single Channel Ground and Airborne Radio System, we provide a diversified portfolio of communications-related products, including: INterference CANcellation Systems for E/A-18G Growler aircraft to enable communications-while-jamming performance; Global Network On the Move Active Distribution mobile satellite communications systems for persistent, long-haul connectivity in austere environments; and SpearNet Enhanced Video On-board tactical wearable radios, which, when combined with night vision and intelligence dissemination products, forms the Individual Soldier System integrated solution. We are a leader in image intensification and sensor fusion technology and produce high performance night vision products. We develop, produce and supply Generation 3 image intensification technology for U.S. and allied military and security forces. We provide AN/PVS-14 and AN/PVS-7 ground night vision goggles and spare image intensifier tubes to the U.S. and allied militaries, via foreign military sales, and we are the primary supplier to the U.S. military for the AN/AVS-6 and AN/AVS-9 aviation night vision goggles, which provide rotary- and fixed-wing aircraft pilots the ability to operate in extreme low-light situations. We also developed the Enhanced Night Vision Goggle (ENVG) system, which was the first production goggle to optically overlay traditional night vision imagery with long wave thermal infrared imagery. The ENVG system enables users to effectively operate in extreme low light and obscured battlefield conditions.

We provide a broad range of service solutions, including systems integration; network design and development; air traffic management; cyber; intelligence; advanced engineering; and space launch and range-support, for a wide variety of U.S. military and U.S. Government customers. Our advanced information solutions portfolio includes enduring mission support, advanced research and development support, and enterprise information support to deliver affordable, essential mission solutions for critical networks and ISR and analytics applications. We serve enduring missions in military and national intelligence, strategic deterrence, and defense against chemical, biological, radiological