HARRIS CORP /DE/
Form 10-Q
January 27, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2010

or

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

For the transition period from __________ to __________

Commission File Number 1-3863

HARRIS CORPORATION

(Exact name of registrant as specified in its charter)

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

(321) 727-9100

(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 þ No o

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 þ No o

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 o
Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

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

The number of shares outstanding of the registrant s common stock as of January 21, 2011 was 127,933,906 shares.

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

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

HARRIS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

	Quarter Ended		Two Quarters Ended	
	December 31, 2010	January 1, 2010	December 31, 2010	January 1, 2010
	(In millions, except per share amounts)			
Revenue from product sales and services	$ 1,438.5	$ 1,217.7	$ 2,843.9	$ 2,420.7
Cost of product sales and services	(940.5)	(778.6)	(1,821.6)	(1,590.7)
Engineering, selling and administrative expenses	(255.2)	(215.7)	(510.4)	(427.8)
Non-operating loss	(0.9)	(0.3)	(1.3)	(0.5)
Interest income	0.4	0.3	1.0	0.7
Interest expense	(20.4)	(18.2)	(38.2)	(36.4)
Income before income taxes	221.9	205.2	473.4	366.0
Income taxes	(70.8)	(65.7)	(158.4)	(122.0)
Net income	$ 151.1	$ 139.5	$ 315.0	$ 244.0
Net income per common share				
Basic	$ 1.19	$ 1.07	$ 2.46	1.86
Diluted	$ 1.18	$ 1.06	$ 2.44	1.84
Cash dividends paid per common share	$ 0.25	$ 0.22	$ 0.50	$ 0.44
Basic weighted average shares outstanding	125.9	129.8	126.3	130.3
Diluted weighted average shares outstanding	126.8	130.8	127.3	131.1

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

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HARRIS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

	December 31, 2010	July 2, 2010
	(In millions, except shares)	
Assets		
Current Assets		
Cash and cash equivalents	$ 740.8	$ 455.2
Receivables	711.6	736.0
Inventories	651.9	615.3
Income taxes receivable	47.8	15.3
Current deferred income taxes	153.4	145.3
Other current assets	64.9	37.5
Total current assets	2,370.4	2,004.6
Non-current Assets		
Property, plant and equipment	706.9	609.7
Goodwill	1,935.3	1,576.2
Intangible assets	396.3	297.8
Non-current deferred income taxes	60.1	107.7
Other non-current assets	198.4	147.6
Total non-current assets	3,297.0	2,739.0
	$ 5,667.4	$ 4,743.6
Liabilities and Equity		
Current Liabilities		
Short-term debt	$ 30.0	$ 30.0
Accounts payable	362.7	329.4
Compensation and benefits	207.0	239.7
Other accrued items	278.0	267.5
Advance payments and unearned income	190.9	175.6
Income taxes payable		8.9
Current portion of long-term debt	0.7	0.7
Total current liabilities	1,069.3	1,051.8
Non-current Liabilities		
Long-term debt	1,876.3	1,176.6
Long-term contract liability	126.6	132.4
Other long-term liabilities	206.7	192.7
Total non-current liabilities	2,209.6	1,501.7
Equity		
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 125,770,033 shares at December 31, 2010 and 127,460,307 shares at July 2, 2010	125.8	127.5
Other capital	469.3	461.1
Retained earnings	1,795.9	1,621.4
Accumulated other comprehensive loss	(3.1)	(20.4)
Total shareholders equity	2,387.9	2,189.6
Noncontrolling interests	0.6	0.5
Total equity	2,388.5	2,190.1
	$ 5,667.4	$ 4,743.6

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

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HARRIS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Two Quarters Ended	
	December 31, 2010	January 1, 2010
	(In millions)	
Operating Activities		
Net income	$ 315.0	$ 244.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	96.2	80.8
Share-based compensation	26.1	21.2
Non-current deferred income taxes	9.8	1.1
(Increase) decrease in:		
Accounts and notes receivable	62.1	97.6
Inventories	(1.5)	(72.0)
Increase (decrease) in:		
Accounts payable and accrued expenses	(71.8)	(130.1)
Advance payments and unearned income	12.9	73.7
Income taxes	(46.8)	7.9
Other	(12.7)	(2.8)
Net cash provided by operating activities	389.3	321.4
Investing Activities		
Net cash paid for acquired businesses	(518.0)	(33.7)
Cash paid for cost-method investment	(10.0)	
Additions of property, plant and equipment	(101.0)	(38.5)
Additions of capitalized software	(7.2)	(3.9)
Net cash used in investing activities	(636.2)	(76.1)
Financing Activities		
Proceeds from borrowings	689.0	
Repayments of borrowings	(0.3)	(61.4)
Proceeds from exercise of employee stock options	10.5	6.0
Repurchases of common stock	(105.7)	(105.5)
Cash dividends	(64.0)	(57.8)
Net cash provided by (used in) financing activities	529.5	(218.7)
Effect of exchange rate changes on cash and cash equivalents	3.0	2.4

Net increase in cash and cash equivalents	285.6	29.0
Cash and cash equivalents, beginning of year	455.2	281.2
Cash and cash equivalents, end of quarter	$ 740.8	$ 310.2

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
December 31, 2010

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. Significant intercompany 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 for interim financial information and with the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, they do not include all information and footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with U.S. generally accepted accounting principles. 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 such periods. The results for the quarter and two quarters ended December 31, 2010 are not necessarily indicative of the results that may be expected for the full fiscal year or any subsequent period. The balance sheet at July 2, 2010 has been derived from the audited financial statements but does not include all of the information and footnotes required by U.S. generally accepted accounting principles 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 July 2, 2010 (the Fiscal 2010 Form 10-K).

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

Adoption of New Accounting Standards

In the first quarter of fiscal 2011, we adopted the following accounting standards, neither of which had a material impact on our financial position, results of operations or cash flows:

The accounting standard that revises accounting and reporting requirements for arrangements with multiple deliverables. This standard allows the use of an estimated selling price to determine the selling price of a deliverable in cases where neither vendor-specific objective evidence nor third-party evidence is available, which is expected to increase the ability for entities to separate deliverables in multiple-deliverable arrangements and, accordingly, to decrease the amount of revenue deferred in these cases. Additionally, this standard requires the total selling price of a multiple-deliverable arrangement to be allocated at the inception of the arrangement to all deliverables based on relative selling prices.

The accounting standard that clarifies which revenue allocation and measurement guidance should be used for arrangements that contain both tangible products and software, in cases where the software is more than incidental to the tangible product as a whole. More specifically, if the software sold with or embedded within the tangible product is essential to the functionality of the tangible product, then this software as well as undelivered software elements that relate to this software are excluded from the scope of existing software revenue guidance, which is expected to decrease the amount of revenue deferred in these cases.

Reclassifications

Certain prior-year amounts have been reclassified in the accompanying condensed consolidated financial statements to conform with current-year classifications.

Note B Stock Options and Other Share-Based Compensation

As of December 31, 2010, we had two shareholder-approved employee stock incentive plans (SIPs) under which options or

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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 two quarters ended December 31, 2010 was $10.1 million and $26.1 million, respectively. The compensation cost related to our share-based awards that was charged against income for the quarter and two quarters ended January 1, 2010 was $10.1 million and $21.2 million, respectively.

Grants to employees under our SIPs during the quarter ended December 31, 2010 consisted of 29,200 stock options, 2,301 performance share awards and 15,700 restricted stock awards. Grants to employees under our SIPs during the two quarters ended December 31, 2010 consisted of 1,366,450 stock options, 163,151 performance share awards and 386,500 restricted stock awards. The fair value of each option grant was estimated on the date of grant using the Black-Scholes-Merton option-pricing model which used the following assumptions: expected volatility of 35.58 percent; expected dividend yield of 2.0 percent; and expected life in years of 4.94.

Note C Business Combinations

On July 30, 2010, we acquired privately held CapRock Holdings, Inc. and its subsidiaries, including CapRock Communications, Inc. (collectively, CapRock), a global provider of mission-critical, managed satellite communications services for the government, energy and maritime industries. CapRock s highly reliable solutions include broadband Internet access, voice over Internet Protocol (VOIP) telephony, wideband networking and real-time video, delivered to nearly 2,000 customer sites around the world. The acquisition of CapRock increased the breadth of our *assured communications*® capabilities, while enabling us to enter new vertical markets and increase our international presence. The total estimated net purchase price for CapRock is $528.3 million. The purchase price remains subject to post-closing adjustments and the purchase price allocation is preliminary. Our fiscal 2011 results of operations include revenue of $161.0 million and a pre-tax loss of $3.7 million (including $6.2 million of acquisition-related charges) associated with CapRock for the five-month period following the date of acquisition. We report CapRock within our Government Communications Systems segment.

The following tables provide further detail of the acquisition of CapRock in fiscal 2011:

	CapRock (In millions)
Date of acquisition	7/30/2010
Reporting business segment	Government Comm. Systems
Cash consideration paid to former owners	$ 540.2
Less cash acquired	(22.2)
Total net purchase price paid as of December 31, 2010	518.0
Estimated post-closing acquired cash true-up	10.3
Total estimated net purchase price	$ 528.3

Allocation of purchase price:	
Accounts and notes receivable	$ 37.5
Inventories	35.2
Other current assets	4.2
Current deferred income taxes	3.0
Identifiable intangible assets	131.5
Goodwill	351.4

Property, plant and equipment		62.9
Other assets		23.0
Total assets acquired		648.7
Accounts payable and accrued expenses		71.3
Advance payments and unearned income		2.4
Non-current deferred tax liabilities		37.0
Other liabilities		9.7
Total liabilities acquired		120.4
Net assets acquired	$	528.3

	CapRock	
	Weighted Average Amortization Period	Total
	(In years)	(In millions)
Identifiable Intangible Assets:		
Customer relationships	16.0	$ 70.0
Contract backlog	5.0	47.0
Tradenames	5.0	14.0
Other	15.0	0.5
Weighted average amortization period and total	10.9	$ 131.5

The goodwill resulting from this business combination was associated primarily with CapRock s market presence and leading position, growth opportunities in the markets in which it operates, experienced work force and established operating infrastructure. The goodwill resulting from this business combination is nondeductible for tax purposes.

Pro Forma Results (Unaudited)

The following summary, prepared on a pro forma basis, presents our unaudited consolidated results of operations as if the acquisition of CapRock had been completed as of the beginning of fiscal 2010, after including the impact of adjustments such as amortization of intangible assets, interest expense on related borrowings, and the related income tax effects. This pro forma presentation does not include any impact of transaction synergies.

	Quarter Ended		Two Quarters Ended	
	December 31, 2010	January 1, 2010	December 31, 2010	January 1, 2010
	(In millions, except per share amounts)			
Revenue from product sales and services as reported	$1,438.5	$1,217.7	$2,843.9	$2,420.7
Revenue from product sales and services pro forma	$1,438.5	$1,314.1	$2,876.2	$2,610.4
Net income as reported	$ 151.1	$ 139.5	$ 315.0	$ 244.0
Net income pro forma	$ 151.1	$ 140.3	$ 314.7	$ 248.9
Net income per diluted common share as reported	$ 1.18	$ 1.06	$ 2.44	$ 1.84
Net income per diluted common share pro forma	$ 1.18	$ 1.06	$ 2.44	$ 1.88

The pro forma results are not necessarily indicative of our results of operations had we owned CapRock for the entire periods presented.

As announced on November 8, 2010, we entered into a definitive agreement on November 6, 2010 to acquire the Global Connectivity Services business (Schlumberger GCS) from Schlumberger Information Solutions, an operating unit of Schlumberger Limited for $397.5 million in cash, subject to post-closing adjustments. We believe this acquisition will add scale to our global managed satellite communications services capabilities, increase our international footprint and further diversify us into faster-growing markets. The proposed acquisition is subject to customary closing conditions and is expected to close in the third quarter of fiscal 2011.

Note D Comprehensive Income and Accumulated Other Comprehensive Loss

Comprehensive income for the quarter and two quarters ended December 31, 2010 and January 1, 2010 was comprised of the following:

	Quarter Ended		Two Quarters Ended	
	December 31, 2010	January 1, 2010	December 31, 2010	January 1, 2010
	(In millions)			
Net income	$ 151.1	$ 139.5	$ 315.0	$ 244.0
Other comprehensive income (loss):				
Foreign currency translation	5.0	16.2	15.5	34.3
Net unrealized gain (loss) on securities available-for-sale, net of income taxes	1.0	(0.5)	0.1	0.5
Net unrealized gain (loss) on hedging derivatives, net of income taxes	0.3	(0.2)	(0.1)	(0.6)
Amortization of loss on treasury lock, net of income taxes	0.1	0.2	0.3	0.3
Recognition of pension actuarial losses in net income, net of income taxes	1.4	0.6	1.5	2.2
Total comprehensive income	$ 158.9	$ 155.8	$ 332.3	$ 280.7

The components of accumulated other comprehensive loss at December 31, 2010 and July 2, 2010 were as follows:

	December 31, 2010	July 2, 2010
	(In millions)	
Foreign currency translation	$ 29.8	$ 14.3
Net unrealized gain on securities available-for-sale, net of income taxes	0.7	0.6
Net unrealized gain on hedging derivatives, net of income taxes	0.4	0.5
Unamortized loss on treasury lock, net of income taxes	(3.8)	(4.1)
Unrecognized pension obligations, net of income taxes	(30.2)	(31.7)
	$ (3.1)	$ (20.4)

Note E Receivables

Receivables are summarized below:

	December 31, 2010	July 2, 2010
	(In millions)	
Accounts receivable	$ 592.8	$ 613.0
Unbilled costs on cost-plus contracts	123.0	125.1
Notes receivable due within one year, net	7.9	7.9
	723.7	746.0

Less allowances for collection losses	(12.1)	(10.0)
	$ 711.6	$ 736.0

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Note F Inventories

Inventories are summarized below:

	December 31, 2010	July 2, 2010
	(In millions)	
Unbilled costs and accrued earnings on fixed-price contracts	$ 319.4	$ 295.3
Finished products	140.3	134.6
Work in process	60.3	59.7
Raw materials and supplies	131.9	125.7
	$ 651.9	$ 615.3

Unbilled costs and accrued earnings on fixed-price contracts were net of progress payments of $49.2 million at December 31, 2010 and $35.8 million at July 2, 2010.

Note G Property, Plant and Equipment

Property, plant and equipment are summarized below:

	December 31, 2010	July 2, 2010
	(In millions)	
Land	$ 12.3	$ 13.1
Software capitalized for internal use	89.1	85.7
Buildings	432.3	396.6
Machinery and equipment	955.2	860.2
	1,488.9	1,355.6
Less allowances for depreciation and amortization	(782.0)	(745.9)
	$ 706.9	$ 609.7

Depreciation and amortization expense related to property, plant and equipment for the quarter and two quarters ended December 31, 2010 was $30.7 million and $60.6 million, respectively. Depreciation and amortization expense related to property, plant and equipment for the quarter and two quarters ended January 1, 2010 was $25.8 million and $52.1 million, respectively.

Note H Goodwill and Intangible Assets

Changes in the carrying amount of goodwill for the two quarters ended December 31, 2010 by business segment are as follows:

	RF Communications	Government Communications Systems	Broadcast Communications	Total
		(In millions)		
Balance at July 2, 2010 net of impairment losses	$ 422.6	$ 492.4	$ 661.2	$ 1,576.2
Goodwill acquired during the period		351.4		351.4
Currency translation adjustments	0.7	0.3	6.7	7.7

Balance at December 31, 2010 net of impairment losses	$ 423.3	$	844.1	$	667.9	$ 1,935.3
Balance at December 31, 2010 before impairment losses	$ 423.3	$	844.1	$	828.8	$ 2,096.2
Accumulated impairment losses					(160.9)	(160.9)
Balance at December 31, 2010 net of impairment losses	$ 423.3	$	844.1	$	667.9	$ 1,935.3

The goodwill resulting from the acquisition of CapRock was associated primarily with CapRock s market presence and leading position, growth opportunities in the market in which it operates, experienced work force and established operating infrastructure.

In the table above, the accumulated impairment losses in our Broadcast Communications segment were recorded in the fourth quarter of fiscal 2009.

We have identifiable intangible assets related primarily to customer relationships and technology acquired through acquisitions. The unamortized balance of identifiable intangible assets on our accompanying Condensed Consolidated Balance Sheet was

$396.3 million and $297.8 million at December 31, 2010 and July 2, 2010, respectively. Amortization expense related to identifiable intangible assets for the quarter and two quarters ended December 31, 2010 was $16.8 million and $32.1 million, respectively. Amortization expense related to identifiable intangible assets for the quarter and two quarters ended January 1, 2010 was $11.5 million and $25.7 million, respectively. The estimated amortization expense related to identifiable intangible assets for the remaining two quarters of fiscal 2011 is $31.2 million and for the five fiscal years following fiscal 2011 and, in total, thereafter is: $63.5 million in fiscal 2012, $60.2 million in fiscal 2013, $50.3 million in fiscal 2014, $48.5 million in fiscal 2015, $35.6 million in fiscal 2016 and $107.0 million thereafter.

Note I Credit Arrangements

On September 29, 2010, we entered into a $300 million senior unsecured 364-day revolving credit agreement (the 364-Day Revolving Credit Agreement) with a syndicate of lenders. The 364-Day Revolving Credit Agreement provides for the extension of credit to us in the form of revolving loans at any time and from time to time during the term of the 364-Day Revolving Credit Agreement, in an aggregate principal amount at any time outstanding not to exceed $300 million. Borrowings under the 364-Day Revolving Credit Agreement will be denominated in U.S. Dollars. The 364-Day Revolving Credit Agreement may be used for working capital and other general corporate purposes (excluding hostile acquisitions) and may also be used to support any commercial paper that we may issue.

At our election, borrowings under the 364-Day Revolving Credit Agreement will bear interest either at LIBOR plus an applicable margin or at the base rate plus an applicable margin. The interest rate margin over LIBOR, initially set at 1.75 percent, may increase (to a maximum amount of 2.25 percent) or decrease (to a minimum amount of 1.25 percent) based on changes in the ratings of our senior unsecured long-term debt securities (Senior Debt Ratings). The base rate is a fluctuating rate equal to the highest of (i) the federal funds rate plus 0.50 percent, (ii) SunTrust Bank s publicly announced prime lending rate for U.S. Dollars or (iii) LIBOR for an interest period of one month plus 1.00 percent. The interest rate margin over the base rate, initially set at 0.75 percent, may increase (to a maximum amount of 1.25 percent) or decrease (to a minimum amount of 0.25 percent) based on our Senior Debt Ratings.

The 364-Day Revolving Credit Agreement contains certain customary covenants, including covenants limiting: certain liens on our assets; certain mergers, consolidations or sales of assets; certain sale and leaseback transactions; certain vendor financing investments; and certain investments in unrestricted subsidiaries. The 364-Day Revolving Credit Agreement also requires that we not permit our ratio of consolidated total indebtedness to total capital, each as defined, to be greater than 0.60:1.00 and not permit our ratio of consolidated EBITDA to consolidated net interest expense, each as defined, to be less than 3.00:1.00 (measured on the last day of each fiscal quarter for the rolling four-quarter period then ending). We were in compliance with the covenants in the 364-Day Revolving Credit Agreement in the second quarter of fiscal 2011. The 364-Day Revolving Credit Agreement contains certain events of default, including: failure to make payments; failure to perform or observe terms, covenants and agreements; material inaccuracy of any representation or warranty; payment default under other indebtedness with a principal amount in excess of $75 million, other default under such other indebtedness that permits acceleration of such indebtedness, or acceleration of such other indebtedness; occurrence of one or more final judgments or orders for the payment of money in excess of $75 million that remain unsatisfied; incurrence of certain ERISA liability in excess of $75 million; any bankruptcy or insolvency; or a change of control, 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 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 amounts borrowed or outstanding under the 364-Day Revolving Credit Agreement are due and mature on September 28, 2011, unless the commitments are terminated earlier either at our request or if certain events of default occur. At December 31, 2010, we had no borrowings outstanding under the 364-Day Revolving Credit Agreement.

For a description of our other credit arrangements, see the Capital Structure and Resources discussion in Part I. Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations in this Report.

Note J Long-term Debt

Long-term debt is summarized below:

	December 31, 2010	July 2, 2010
	(In millions)	
5.0% notes, due October 1, 2015	$ 300.0	$ 300.0
5.95% notes, due December 1, 2017	400.0	400.0
6.375% notes, due June 15, 2019	350.0	350.0
4.4% notes, due December 15, 2020	400.0	
7.0% debentures, due January 15, 2026	100.0	100.0
6.35% debentures, due February 1, 2028	25.8	25.8
6.15% notes, due December 15, 2040	300.0	
Other	1.2	1.5
Total debt	1,877.0	1,177.3
Less: current portion of debt	(0.7)	(0.7)
Total long-term debt	$ 1,876.3	$ 1,176.6

The potential maturities of long-term debt, including the current portion, for the five years following fiscal 2010 and, in total, thereafter are: $0.4 million for the remainder of fiscal 2011; $0.6 million in fiscal 2012; $0.2 million in fiscal 2013; none in fiscal 2014; none in fiscal 2015; and $1,875.8 million thereafter. All of our outstanding long-term debt is unsubordinated and unsecured with equal ranking.

On December 3, 2010, we completed the issuance of $400 million in aggregate principal amount of 4.40% Notes due December 15, 2020 (the 2020 Notes) and $300 million in aggregate principal amount of 6.15% Notes due December 15, 2040 (the 2040 Notes). Interest on each of the 2020 Notes and the 2040 Notes is payable semi-annually in arrears on June 15 and December 15 of each year. We may redeem the 2020 Notes and/or the 2040 Notes at any time in whole or, from time to time, in part at the applicable make-whole redemption price. The applicable make-whole redemption price is equal to the greater of 100 percent of the principal amount of the notes being redeemed or the sum of the present values of the remaining scheduled payments of the principal and interest (other than interest accruing to the date of redemption) on the notes being redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate, as defined, plus 25 basis points in the case of the 2020 Notes and 35 basis points in the case of the 2040 Notes. In each case, we will pay accrued interest on the principal amount of the notes being redeemed to the redemption date. In addition, upon a change of control combined with a below-investment-grade rating event, we may be required to make an offer to repurchase the notes at a price equal to 101 percent of the aggregate principal amount of the notes repurchased, plus accrued interest on the notes repurchased to the date of repurchase. We incurred $5.5 million and $4.8 million in debt issuance costs and discounts related to the issuance of the 2020 Notes and 2040 Notes, respectively, which are being amortized on a straight-line basis over the respective lives of the notes, which approximates the effective interest rate method, and are reflected as a portion of interest expense in the accompanying Condensed Consolidated Statement of Income (Unaudited).

On June 9, 2009, we completed the issuance of $350 million in aggregate principal amount of 6.375% Notes due June 15, 2019. Interest on the notes is payable on June 15 and December 15 of each year. We may redeem the notes at any time in whole or, from time to time, in part at the make-whole redemption price. The make-whole redemption price is equal to the greater of 100 percent of the principal amount of the notes being redeemed or the sum of the present values of the remaining scheduled payments of the principal and interest (other than interest accruing to the date of redemption) on the notes being redeemed, discounted to the redemption date on a semi-annual basis (assuming

a 360-day year consisting of twelve 30-day months) at the Treasury Rate, as defined, plus 37.5 basis points. In each case, we will pay accrued interest on the principal amount of the notes being redeemed to the redemption date. In addition, upon a change of control combined with a below-investment-grade rating event, we may be required to make an offer to repurchase the notes at a price equal to 101 percent of the aggregate principal amount of the notes repurchased, plus accrued interest on the notes repurchased to the date of repurchase. We incurred $4.1 million in debt issuance costs and discounts related to the issuance of the notes, which are being amortized on a straight-line basis over the life of the notes, which approximates the effective interest rate method, and are reflected as a portion of interest expense in the accompanying Condensed Consolidated Statement of Income (Unaudited).

On December 5, 2007, we completed the issuance of $400 million in aggregate principal amount of 5.95% Notes due December 1, 2017. Interest on the notes is payable on June 1 and December 1 of each year. We may redeem the notes at any time in whole or, from

time to time, in part at the make-whole redemption price. The make-whole redemption price is equal to the greater of 100 percent of the principal amount of the notes being redeemed or the sum of the present values of the remaining scheduled payments of the principal and interest (other than interest accruing to the date of redemption) on the notes being redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate, as defined, plus 30 basis points. In each case, we will pay accrued interest on the principal amount of the notes being redeemed to the redemption date. In addition, upon a change of control combined with a below-investment-grade rating event, we may be required to make an offer to repurchase the notes at a price equal to 101 percent of the aggregate principal amount of the notes repurchased, plus accrued interest on the notes repurchased to the date of repurchase. In conjunction with the issuance of the notes, we entered into treasury lock agreements to protect against fluctuations in forecasted interest payments resulting from the issuance of ten-year, fixed-rate debt due to changes in the benchmark U.S. Treasury rate. These agreements were determined to be highly effective in offsetting changes in forecasted interest payments as a result of changes in the benchmark U.S. Treasury rate. Upon termination of these agreements on December 6, 2007, we recorded a loss of $5.5 million, net of income tax, in shareholders equity as a component of accumulated other comprehensive income. This loss, along with $5.0 million in debt issuance costs, is being amortized on a straight-line basis over the life of the notes, which approximates the effective interest rate method, and is reflected as a portion of interest expense in the accompanying Condensed Consolidated Statement of Income (Unaudited).

On September 20, 2005, we completed the issuance of $300 million in aggregate principal amount of 5% Notes due October 1, 2015. Interest on the notes is payable on April 1 and October 1 of each year. We may redeem the notes in whole, or in part, at any time at the make-whole redemption price. The make-whole redemption price is equal to the greater of 100 percent of the principal amount of the notes being redeemed or the sum of the present values of the remaining scheduled payments of the principal and interest (other than interest accruing to the date of redemption) on the notes being redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate, as defined, plus 15 basis points. In each case, we will pay accrued interest on the principal amount of the notes being redeemed to the redemption date. We incurred $4.1 million in debt issuance costs and discounts related to the issuance of the notes, which are being amortized on a straight-line basis over a ten-year period and reflected as a portion of interest expense in the accompanying Condensed Consolidated Statement of Income (Unaudited).

In February 1998, we completed the issuance of $150 million in aggregate principal amount of 6.35% Debentures due February 1, 2028. On December 5, 2007, we repurchased and retired $25.0 million in aggregate principal amount of the debentures. On February 1, 2008, we redeemed $99.2 million in aggregate principal amount of the debentures pursuant to the procedures for redemption at the option of the holders of the debentures. We may redeem the remaining $25.8 million in aggregate principal amount of the debentures in whole, or in part, at any time at a pre-determined redemption price.

In January 1996, we completed the issuance of $100 million in aggregate principal amount of 7% Debentures due January 15, 2026. The debentures are not redeemable prior to maturity.

Note K 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 quarter ended December 31, 2010 were as follows:

	(In millions)
Balance at July 2, 2010	$ 73.1
Warranty provision for sales made during the two quarters ended December 31, 2010	10.6
Settlements made during the two quarters ended December 31, 2010	(27.1)
Other adjustments to the warranty liability, including those for acquisitions and foreign currency translation, during the two quarters ended December 31, 2010	0.1
Balance at December 31, 2010	$ 56.7

Note L Net Income Per Share

The calculations of net income per share are as follows:

	Quarter Ended		Two Quarters Ended	
	December 31, 2010	January 1, 2010	December 31, 2010	January 1, 2010
	(In millions, except per share amounts)			
Net income	$ 151.1	$ 139.5	$ 315.0	$ 244.0
Adjustments for participating securities outstanding	(1.9)	(1.2)	(3.9)	(2.1)
Net income used in basic and diluted common share calculations (A)	149.2	138.3	311.1	241.9
Basic weighted average common shares outstanding (B)	125.9	129.8	126.3	130.3
Impact of dilutive stock options	0.9	1.0	1.0	0.8
Diluted weighted average common shares outstanding (C)	126.8	130.8	127.3	131.1
Net income per basic share (A)/(B)	$ 1.19	$ 1.07	$ 2.46	$ 1.86
Net income per diluted share (A)/(C)	$ 1.18	$ 1.06	$ 2.44	$ 1.84

Employee stock options to purchase approximately 3,160,928 and 4,363,696 shares of our common stock were outstanding at December 31, 2010 and January 1, 2010, respectively, but were not included in the calculations of net income per diluted share because the effect would have been antidilutive as the options exercise prices exceeded the average market price of our common stock.

Note M Income Taxes

Our effective tax rate (income taxes as a percentage of income before income taxes) was 31.9 percent in the second quarter of fiscal 2011 compared with 32.0 percent in the second quarter of fiscal 2010. In the second quarter of fiscal 2011, we recorded a $5.9 million tax benefit associated with legislative action during the second quarter of fiscal 2011 that restored the U.S. Federal income tax credit for research and development expenses. In the second quarter of fiscal 2010, we recorded a $3.5 million state income tax benefit associated with the filing of our fiscal 2008 income tax returns.

Our effective tax rate was 33.5 percent in the first two quarters of fiscal 2011 compared with 33.3 percent in the first two quarters of fiscal 2010. In the first two quarters of fiscal 2011 and 2010, the major discrete items were primarily the same as those noted above regarding the second quarters of fiscal 2011 and 2010.

Note N 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. Further, 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.

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The following table represents the fair value hierarchy of our assets and liabilities measured at fair value on a recurring basis (at least annually) as of December 31, 2010:

	Level 1	Level 2	Level 3	Total
		(In millions)		
Assets				
Marketable equity securities (1)	$ 4.8	$	$	$ 4.8
Deferred compensation plan investments: (2)				
Money market fund	27.6			27.6
Stock fund	37.9			37.9
Equity security	15.2			15.2
Foreign currency forward contracts (3)		2.4		2.4
Liabilities				
Deferred compensation plans (4)	85.3			85.3
Foreign currency forward contracts (5)		1.8		1.8

(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) 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.

(4) 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 and fixed-income funds), which serve as the basis for measurement of the notional value of their accounts.

(5) 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.

Assets and liabilities that were measured at fair value on a nonrecurring basis were not material during the quarter and two quarters ended December 31, 2010.

The following table represents the carrying amounts and estimated fair values of our significant financial instruments that are 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):

	December 31, 2010		July 2, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(In millions)		
Financial Liabilities				

Long-term debt (including current portion) (1)	$1,877.0	$2,017.5	$1,177.3	$1,301.8

(1) The estimated fair value was measured using a market approach based on quoted market prices for our debt traded in the secondary market.

Note O 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 December 31, 2010, we had open foreign currency forward contracts with a notional amount of $87.0 million, of which $54.7 million were classified as cash flow hedges and $32.3 million were classified as fair value hedges. This compares with open foreign currency forward contracts with a notional amount of $46.5 million at July 2, 2010, of which $16.2 million were classified as cash

flow hedges and $30.3 million were classified as fair value hedges. At December 31, 2010, contract expiration dates ranged from less than 1 month to 6 months with a weighted average contract life of 3 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 December 31, 2010, we had outstanding foreign currency forward contracts denominated in the Euro, British Pound, Canadian Dollar, Australian Dollar, Singapore Dollar and Japanese Yen to hedge certain balance sheet items. The net gains or losses on foreign currency forward contracts designated as fair value hedges for the quarter and two quarters ended December 31, 2010 were not material. In addition, no amounts were recognized in earnings in the quarter and two quarters ended December 31, 2010 related to hedged firm commitments that no longer qualify as fair value hedges.

Cash Flow Hedges

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 from suppliers, future committed sales to customers and intercompany transactions. These derivatives are primarily being used to hedge currency exposures from cash flows anticipated in our RF Communications segment related to programs in 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 December 31, 2010, we had outstanding foreign currency forward contracts denominated in the Euro, British Pound and Canadian Dollar to hedge certain forecasted transactions.

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 and 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 item being hedged.

The amount of gains or losses from cash flow hedges recognized in earnings or recorded in other comprehensive income, including gains or losses related to hedge ineffectiveness, was not material in the quarter and two quarters ended December 31, 2010 or in the quarter and two quarters ended January 1, 2010. We do not expect the amount of gains or losses recognized in the Accumulated other comprehensive loss line item in the accompanying Condensed Consolidated Balance Sheet (Unaudited) as of December 31, 2010 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 N 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 December 31, 2010, and see *Note D Comprehensive Income and Accumulated Other Comprehensive Loss* in these Notes for additional information on changes in accumulated other comprehensive loss for the quarter and two quarters ended December 31, 2010.

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 business segments   RF Communications, Government Communications Systems and Broadcast Communications. Our RF Communications segment is a global supplier of secure tactical radio communications and embedded high-grade encryption solutions for military and government organizations and also of secure communications systems and equipment for public safety, utility and transportation markets. Our Government Communications

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Systems segment conducts advanced research studies and produces, integrates and supports highly reliable, net-centric communications and information technology that solve the mission-critical challenges of our defense, intelligence and civilian U.S. Government customers, as well as those in the energy and maritime industries. Our Broadcast Communications segment serves the global digital and analog media markets, providing workflow, infrastructure and networking products and solutions; media solutions; and television and radio transmission equipment and systems. Within each of our business segments, there are multiple program areas and product lines that aggregate into our three business segments described above.

The accounting policies of our business segments are the same as those described in Note 1: Significant Accounting Policies in our Fiscal 2010 Form 10-K. We evaluate each segment s performance based on its operating income (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 income and gains or losses from securities and other investments. Intersegment sales among our segments are transferred at cost to the buying segment and the sourcing segment recognizes a normal 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 the business segments.

Total assets by business segment are summarized below:

	December 31, 2010	July 2, 2010
	(In millions)	
Total Assets		
RF Communications	$ 1,378.0	$ 1,468.5
Government Communications Systems	2,204.0	1,537.7
Broadcast Communications	1,034.4	1,057.0
Corporate	1,051.0	680.4
	$ 5,667.4	$ 4,743.6

Segment revenue, segment operating income (loss) and a reconciliation of segment operating income (loss) to total income before income taxes follow:

	Quarter Ended		Two Quarters Ended	
	December 31, 2010	January 1, 2010	December 31, 2010	January 1, 2010
	(In millions)			
Revenue				
RF Communications	$ 544.7	$ 462.9	$ 1,111.2	$ 886.6
Government Communications Systems	775.7	647.3	1,511.2	1,315.0
Broadcast Communications	130.0	116.8	251.6	235.5
Corporate eliminations	(11.9)	(9.3)	(30.1)	(16.4)
	$ 1,438.5	$ 1,217.7	$ 2,843.9	$ 2,420.7
Income Before Income Taxes				
Segment Operating Income (Loss):				
RF Communications (1)	$ 189.3	$ 168.6	$ 417.8	$ 282.6

Government Communications Systems (2)	81.4	87.0	159.7	172.7
Broadcast Communications	(0.8)	(4.8)	(9.4)	(4.5)
Unallocated corporate expense	(22.0)	(24.8)	(47.7)	(44.0)
Corporate eliminations	(5.1)	(2.6)	(8.5)	(4.6)
Non-operating loss (3)	(0.9)	(0.3)	(1.3)	(0.5)
Net interest expense	(20.0)	(17.9)	(37.2)	(35.7)
	$ 221.9	$ 205.2	$ 473.4	$ 366.0

(1) The operating income in our RF Communications segment in the quarter and two quarters ended January 1, 2010 included charges of $2.7 million and $9.2 million, respectively, for integration costs and the impact of a step up in inventory associated with our acquisition of the Tyco Electronics wireless systems business, formerly known as M/A-COM (Wireless Systems).

(2) The operating income in our Government Communications Systems segment in the quarter and two quarters ended December 31, 2010 included charges of $4.2 million and $6.2 million, respectively, for integration and other costs associated with our

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acquisition of CapRock.

(3) Non-operating loss includes equity investment income (loss), royalties and related intellectual property expenses, gains and losses on sales of investments and securities available-for-sale, and impairments of investments and securities available-for-sale.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Harris Corporation

We have reviewed the condensed consolidated balance sheet of Harris Corporation as of December 31, 2010, and the related condensed consolidated statements of income for the quarter and two quarters ended December 31, 2010 and January 1, 2010, and the condensed consolidated statements of cash flows for the two quarters ended December 31, 2010 and January 1, 2010. These financial statements are the responsibility of the Company s management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Harris Corporation as of July 2, 2010, and the related consolidated statements of income, cash flows, and comprehensive income and equity for the year then ended, not presented herein, and in our report dated August 30, 2010, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of July 2, 2010, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP
Certified Public Accountants
Boca Raton, Florida
January 27, 2011

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

OVERVIEW

The following Management s Discussion and Analysis (MD&A) is intended to assist in an understanding of Harris. MD&A is provided as a supplement to, should be read in conjunction with, and is qualified in its entirety by reference to, our Condensed Consolidated Financial Statements (Unaudited) and accompanying Notes appearing elsewhere in this Report. In addition, reference should be made to our audited Consolidated Financial Statements and accompanying Notes to Consolidated Financial Statements and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Fiscal 2010 Form 10-K. Except for the historical information contained herein, the discussions in MD&A contain forward-looking statements that involve risks and uncertainties. Our future results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below in MD&A under Forward-Looking Statements and Factors that May Affect Future Results.

The following is a list of the sections of MD&A, together with our perspective on the contents of these sections of MD&A, which we hope will assist in reading these pages:

- **Results of Operations** an analysis of our consolidated results of operations and of the results in each of our three business segments, to the extent the business segment operating results are helpful to an understanding of our business as a whole, for the periods presented in our Condensed Consolidated Financial Statements (Unaudited).
- **Liquidity and Capital Resources** an analysis of cash flows, common stock repurchases, dividends, capital structure and resources, off-balance sheet arrangements and commercial commitments and contractual obligations.
- **Critical Accounting Policies and Estimates** information about accounting policies that require critical judgments and estimates and about accounting standards that have been issued but are not yet effective for us and their potential impact.
- **Forward-Looking Statements and Factors that May Affect Future Results** cautionary information about forward-looking statements and a description of certain risks and uncertainties that could cause our actual results to differ materially from our historical results or our current expectations or projections.

RESULTS OF OPERATIONS

Highlights

Operations results for the second quarter of fiscal 2011 include:

- Revenue increased 18.1 percent to $1,438.5 million in the second quarter of fiscal 2011 from $1,217.7 million in the second quarter of fiscal 2010;
- Net income increased to $151.1 million, or $1.18 per diluted share, in the second quarter of fiscal 2011 from $139.5 million, or $1.06 per diluted share, in the second quarter of fiscal 2010;
- Our RF Communications segment revenue increased 17.7 percent to $544.7 million and operating income increased 12.3 percent to $189.3 million in the second quarter of fiscal 2011 compared with the second quarter of fiscal 2010;
- Our Government Communications Systems segment revenue increased 19.8 percent to $775.7 million and operating income decreased 6.4 percent to $81.4 million in the second quarter of fiscal 2011 compared with the second quarter of fiscal 2010. Government Communications Systems segment revenue in the second quarter of fiscal 2011 benefited from our acquisition of CapRock in the first quarter of fiscal 2011, and operating income in the second quarter of fiscal 2011 included $4.2 million of acquisition-related charges;
- Our Broadcast Communications segment revenue increased 11.3 percent to $130.0 million in the second quarter of fiscal 2011 compared with the second quarter of fiscal 2010, and there was an operating loss of $0.8 million in the second quarter of fiscal 2011 compared with an operating loss of $4.8 million in the second quarter of fiscal 2010; and
- Net cash provided by operating activities was $389.3 million in the first two quarters of fiscal 2011 compared with $321.4 million in the first two quarters of fiscal 2010, an increase of 21.1 percent.

Consolidated Results of Operations

Revenue and Net Income

	Quarter Ended			Two Quarters Ended		
	December 31, 2010	January 1, 2010	% Inc/(Dec)	December 31, 2010	January 1, 2010	% Inc/(Dec)
	(Dollars in millions, except per share amounts)					
Revenue	$ 1,438.5	$ 1,217.7	18.1%	$ 2,843.9	$ 2,420.7	17.5%
Net income	$ 151.1	$ 139.5	8.3%	$ 315.0	$ 244.0	29.1%
% of revenue	*10.5%*	*11.5%*		*11.1%*	*10.1%*	
Net income per diluted common share	$ 1.18	$ 1.06	11.3%	$ 2.44	$ 1.84	32.6%

Second Quarter 2011 Compared With Second Quarter 2010: Our revenue in the second quarter of fiscal 2011 was $1,438.5 million, an increase of 18.1 percent compared with the second quarter of fiscal 2010. Revenue increased by 17.7 percent, 19.8 percent and 11.3 percent in our RF Communications, Government Communications Systems and Broadcast Communications segments, respectively. RF Communications segment revenue was driven by strong international sales to Pakistan, Australia and Iraq and an acceleration in the U.S. Department of Defense s (DoD s) adoption of our new Falcon III® radios, partially offset by a significant decline in tactical radio sales for mine resistant ambush protected vehicles (MRAPs) and mine resistant ambush protected all-terrain vehicles (M-ATVs) for the DoD. Government Communications Systems segment revenue growth compared with the second quarter of fiscal 2010 benefited from our acquisition of CapRock, the Geostationary Operational Environmental Satellite Series R (GOES-R) Ground and Antenna Segment weather programs for the National Oceanic and Atmospheric Administration (NOAA), and our Healthcare Solutions business, partially offset by lower revenue on several small classified programs and, as expected, the Field Data Collection Automation (FDCA) program for the U.S. Census Bureau.

Net income in the second quarter of fiscal 2011 was $151.1 million, or $1.18 per diluted share, compared with $139.5 million, or $1.06 per diluted share, in the second quarter of fiscal 2010. Operating income increased by $20.7 million, or 12.3 percent, in our RF Communications segment and decreased by $5.6 million, or 6.4 percent, in our Government Communications Systems segment. Our Broadcast Communications segment had an operating loss of $0.8 million in the second quarter of fiscal 2011 compared with an operating loss of $4.8 million in the second quarter of fiscal 2010. Unallocated corporate expense in the second quarter of fiscal 2011 was $22.0 million compared with $24.8 million in the second quarter of fiscal 2010. Interest expense in the second quarter of fiscal 2011 was $20.4 million compared with $18.2 million in the second quarter of fiscal 2010. Our effective tax rate (income taxes as a percentage of income before income taxes) was 31.9 percent in the second quarter of fiscal 2011 compared with 32.0 percent in the second quarter of fiscal 2010.

First Two Quarters 2011 Compared With First Two Quarters 2010: Our revenue in the first two quarters of fiscal 2011 was $2,843.9 million, an increase of 17.5 percent compared with the first two quarters of fiscal 2010. Revenue increased by 25.3 percent, 14.9 percent and 6.8 percent in our RF Communications, Government Communications Systems and Broadcast Communications segments, respectively. The reasons for the increase in revenue are essentially the same as noted above regarding the second quarters of fiscal 2011 and 2010. Additionally, RF Communications segment revenue in the first two quarters of fiscal 2011 reflected strength in the first quarter of fiscal 2011 from sales to equip the DoD s MRAPs and M-ATVs.

Net income in the first two quarters of fiscal 2011 was $315.0 million, an increase of 29.1 percent compared with the first two quarters of fiscal 2010. Operating income increased by $135.2 million, or 47.8 percent, in our RF Communications segment and decreased by $13.0 million, or 7.5 percent, in our Government Communications Systems segment. Our Broadcast Communications segment had an operating loss of $9.4 million in the first two quarters of fiscal 2011 compared with an operating loss of $4.5 million in the first two quarters of fiscal 2010. Unallocated corporate expense in the first two quarters of fiscal 2011 was $47.7 million compared with $44.0 million in the first two quarters of fiscal 2010. Interest expense in the first two quarters of fiscal 2011 was $38.2 million

compared with $36.4 million in the first two quarters of fiscal 2010. Our effective tax rate was 33.5 percent in the first two quarters of fiscal 2011 compared with 33.3 percent in the first two quarters of fiscal 2010.

See the Discussion of Business Segment Results of Operations, Unallocated Corporate Expense and Corporate Eliminations, Interest Income and Expense and Income Taxes discussions below in this MD&A for further information.

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Gross Margin

	Quarter Ended			Two Quarters Ended		
	December 31, 2010	January 1, 2010	% Inc/(Dec)	December 31, 2010	January 1, 2010	% Inc/(Dec)
	(Dollars in millions)					
Revenue	$1,438.5	$1,217.7	18.1%	$ 2,843.9	$ 2,420.7	17.5%
Cost of product sales and services	(940.5)	(778.6)	20.8%	(1,821.6)	(1,590.7)	14.5%
Gross margin	$ 498.0	$ 439.1	13.4%	$ 1,022.3	$ 830.0	23.2%
% of revenue	*34.6%*	*36.1%*		*35.9%*	*34.3%*	

Second Quarter 2011 Compared With Second Quarter 2010: Our gross margin (revenue less cost of product sales and services) as a percentage of revenue (gross margin percentage) in the second quarter of fiscal 2011 was 34.6 percent compared with 36.1 percent in the second quarter of fiscal 2010. The decrease in the gross margin percentage was primarily due to a decrease in the gross margin percentage in our RF Communications segment due to a less favorable product mix in the second quarter of fiscal 2011.

First Two Quarters 2011 Compared With First Two Quarters 2010. Our gross margin percentage was 35.9 percent in the first two quarters of fiscal 2011 compared with 34.3 percent in the first two quarters of fiscal 2010. The increase in gross margin percentage was primarily due to a favorable product mix in our RF Communications segment and a higher percentage of overall revenue generated by the higher-margin RF Communications segment in the first quarter of fiscal 2011.

See the Discussion of Business Segment Results of Operations discussion below in this MD&A for further information.

Engineering, Selling and Administrative Expenses

	Quarter Ended			Two Quarters Ended		
	December 31, 2010	January 1, 2010	% Inc/(Dec)	December 31, 2010	January 1, 2010	% Inc/(Dec)
	(Dollars in millions)					
Engineering, selling and administrative expenses	$255.2	$215.7	18.3%	$510.4	$427.8	19.3%
% of revenue	*17.7%*	*17.7%*		*17.9%*	*17.7%*	

Second Quarter 2011 Compared With Second Quarter 2010: Our engineering, selling and administrative (ESA) expenses increased to $255.2 million in the second quarter of fiscal 2011 from $215.7 million in the second quarter of fiscal 2010. The increase in ESA expenses was primarily due to our acquisition of CapRock during the first quarter of fiscal 2011 (including $4.2 million of acquisition-related charges in the second quarter of fiscal 2011) and continued investment in product development and the pursuit of new growth opportunities. As a percentage of revenue, ESA expenses were 17.7 percent in the second quarter of fiscal 2011 and in the second quarter of fiscal 2010.

First Two Quarters 2011 Compared With First Two Quarters 2010: Our ESA expenses increased to $510.4 million in the first two quarters of fiscal 2011 from $427.8 million in the first two quarters of fiscal 2010. The reasons for the increase in ESA expenses are primarily the same as those noted above regarding the second quarters of fiscal 2011 and 2010.

See the Discussion of Business Segment Results of Operations discussion below in this MD&A for further information.

Non-Operating Loss

	Quarter Ended	Two Quarters Ended

	December 31, 2010	January 1, 2010	% Inc/(Dec)	December 31, 2010	January 1, 2010	% Inc/(Dec)
			(Dollars in millions)			
Non-operating loss	$ (0.9)	$ (0.3)	*	$ (1.3)	$ (0.5)	*

* Not meaningful

Second Quarter 2011 Compared With Second Quarter 2010: We had a non-operating loss of $0.9 million in the second quarter of fiscal 2011 compared with a non-operating loss of $0.3 million in the second quarter of fiscal 2010.

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First Two Quarters 2011 Compared With First Two Quarters 2010: We had a non-operating loss of $1.3 million in the first two quarters of fiscal 2011 compared with a non-operating loss of $0.5 million in the first two quarters of fiscal 2010.

Interest Income and Expense

	Quarter Ended			Two Quarters Ended		
	December 31, 2010	January 1, 2010	% Inc/(Dec)	December 31, 2010	January 1, 2010	% Inc/(Dec)
			(Dollars in millions)			
Interest income	$ 0.4	$ 0.3	33.3%	$ 1.0	$ 0.7	42.9%
Interest expense	(20.4)	(18.2)	12.1%	(38.2)	(36.4)	4.9%

Second Quarter 2011 Compared With Second Quarter 2010: Our interest income increased to $0.4 million in the second quarter of fiscal 2011 from $0.3 million in the second quarter of fiscal 2010, due to higher balances of cash and cash equivalents. Our interest expense increased to $20.4 million in the second quarter of fiscal 2011 from $18.2 million in the second quarter of fiscal 2010, primarily due to higher levels of borrowings related to our acquisition of CapRock and the pending acquisition of Schlumberger GCS.

First Two Quarters 2011 Compared With First Two Quarters 2010: Our interest income increased to $1.0 million in the first two quarters of fiscal 2011 from $0.7 million in the first two quarters of fiscal 2010. Our interest expense increased to $38.2 million in the first two quarters of fiscal 2011 from $36.4 million in the first two quarters of fiscal 2010. Our interest income and interest expense increased for the same reasons as noted above regarding the second quarters of fiscal 2011 and 2010.

Income Taxes

	Quarter Ended			Two Quarters Ended		
	December 31, 2010	January 1, 2010	% Inc/(Dec)	December 31, 2010	January 1, 2010	% Inc/(Dec)
			(Dollars in millions)			
Income taxes	$70.8	$65.7	7.8%	$158.4	$122.0	29.8%
Effective tax rate	*31.9%*	*32.0%*		*33.5%*	*33.3%*	

Second Quarter 2011 Compared With Second Quarter 2010: Our effective tax rate (income taxes as a percentage of income before income taxes) was 31.9 percent in the second quarter of fiscal 2011 compared with 32.0 percent in the second quarter of fiscal 2010. In the second quarter of fiscal 2011, we recorded a $5.9 million tax benefit associated with legislative action during the second quarter of fiscal 2011 that restored the U.S. Federal income tax credit for research and development expenses. In the second quarter of fiscal 2010, we recorded a $3.5 million state income tax benefit associated with the filing of our fiscal 2008 income tax returns.

First Two Quarters 2011 Compared With First Two Quarters 2010: Our effective tax rate was 33.5 percent in the first two quarters of fiscal 2011 compared with 33.3 percent in the first two quarters of fiscal 2010. In the first two quarters of fiscal 2011 and 2010, the major discrete items were primarily the same as those noted above regarding the second quarters of fiscal 2011 and 2010.

Discussion of Business Segment Results of Operations

RF Communications Segment

Quarter Ended			Two Quarters Ended		
December 31, 2010	January 1, 2010	% Inc/(Dec)	December 31, 2010	January 1, 2010	% Inc/(Dec)
		(Dollars in millions)			

Revenue	$544.7	$462.9	17.7%	$1,111.2	$886.6	25.3%
Segment operating income	189.3	168.6	12.3%	417.8	282.6	47.8%
% of revenue	*34.8%*	*36.4%*		*37.6%*	*31.9%*	

Second Quarter 2011 Compared With Second Quarter 2010: RF Communications segment revenue in the second quarter of fiscal 2011 was $544.7 million compared with $462.9 million in the second quarter of fiscal 2010. Revenue of $544.7 million in the second

quarter of fiscal 2011 included $426.3 million from our Tactical Radio Communications business and $118.4 million from our Public Safety and Professional Communications business. The increase in RF Communications segment revenue was primarily driven by strong international sales to Pakistan, Australia and Iraq and an acceleration in the DoD s adoption of our new Falcon III radios, partially offset by a significant decline in tactical radio sales for equipping the DoD s MRAPs and M-ATVs.

Operating income was $189.3 million in the second quarter of fiscal 2011, compared with $168.6 million in the second quarter of fiscal 2010. Operating income as a percentage of revenue was 34.8 percent in the second quarter of fiscal 2011, compared with 36.4 percent in the second quarter of fiscal 2010. The decrease in operating income as a percentage of revenue was primarily due to a less favorable product mix.

RF Communications segment orders in the second quarter of fiscal 2011 were $391 million, including $300 million in our Tactical Radio Communications business and $91 million in our Public Safety and Professional Communications business. At the end of the second quarter of fiscal 2011, total backlog for our RF Communications segment was $1.52 billion, including $1.06 billion in our Tactical Radio Communications business and $457 million in our Public Safety and Professional Communications business.

During the second quarter of fiscal 2011, new orders in our Tactical Radio Communications business reflected excellent international growth driven by a key tactical radio contract award potentially worth greater than $300 million, with an initial order exceeding $100 million. This key award, along with other large, multi-year program awards such as the province-wide Alberta First Responders Radio Communications System and the statewide Oregon Wireless Interoperability Network (OWIN) program are expected to lead to future order bookings.

International tactical radio orders in the second quarter of fiscal 2011 included the above mentioned order of greater than $100 million as part of a multi-year tactical radio modernization program for a critical communications backbone to support defense and security missions. Other international orders included a $9 million order from Brazil for Falcon II® high frequency radio equipment and an $8 million order from Mexico to provide multiple types of Falcon III and Falcon II tactical radio equipment.

U.S. tactical radio orders in the second quarter of fiscal 2011 included two orders totaling $35.5 million to provide the U.S. Army and the DoD with Falcon III handheld and vehicular tactical radio systems, $16 million from a DoD customer for the development of a waveform for Harris radio platforms, and $10.5 million from the DoD for Falcon III AN/PRC-117G multiband manpack radio systems. Other orders were received from the U.S. Army, Air Force and Marine Corps.

In our Public Safety and Professional Communications business in the second quarter of fiscal 2011, we received a $15 million order from Monterey County, California to modernize its regional public safety communications system and a $7 million order from Dayton Power and Light Company. After the close of the quarter, we were awarded a 10-year price agreement requirements contract for the OWIN program potentially worth more than $100 million. The Oregon statewide public safety network will improve voice and data interoperability among state, local, county, tribal and federal agencies.

First Two Quarters 2011 Compared With First Two Quarters 2010: RF Communications segment revenue and operating income increased 25.3 percent and 47.8 percent, respectively, in the first two quarters of fiscal 2011 compared with the first two quarters of fiscal 2010. Operating income as a percentage of revenue was 37.6 percent in the second quarter of fiscal 2011, compared with 31.9 percent in the second quarter of fiscal 2010. The increase in revenue, operating income and operating income as a percentage of revenue was primarily driven by sales for the DoD s MRAP and M-ATV programs, most of which occurred in the first quarter of fiscal 2011.

Government Communications Systems Segment

	Quarter Ended			**Two Quarters Ended**		
	December 31, 2010	**January 1, 2010**	**% Inc/(Dec)**	**December 31, 2010**	**January 1, 2010**	**% Inc/(Dec)**
			(Dollars in millions)			
Revenue	$775.7	$647.3	19.8%	$1,511.2	$1,315.0	14.9%

Segment operating income	81.4	87.0	(6.4)%	159.7	172.7	(7.5)%
% of revenue	*10.5%*	*13.4%*		*10.6%*	*13.1%*	

Second Quarter 2011 Compared With Second Quarter 2010: Government Communications Systems segment revenue in the second quarter of fiscal 2011 was $775.7 million compared with $647.3 million in second quarter of fiscal 2010. Operating income

was $81.4 million in the second quarter of fiscal 2011 compared with $87.0 million in the second quarter of fiscal 2010. Operating income and operating income as a percent of revenue were lower in the second quarter of fiscal 2011, primarily due to the impact of CapRock including charges for integration and other costs associated with the acquisition.

Government Communications Systems segment revenue growth compared with the second quarter of fiscal 2010 benefited from our acquisition of CapRock, the GOES-R Ground and Antenna Segment weather programs, and our Healthcare Solutions business. Revenue declined on several small classified programs and, as expected, on the FDCA program for the U.S. Census Bureau.

Major contract awards in the second quarter of fiscal 2011 in our Government Communications Systems segment included a nine-year follow-on contract, potentially worth CAD 273 million, by the Government of Canada for the CF-18 Avionics Optimized Weapon System Support (OWSS) program to provide engineering services to support the avionics systems on the CF-18 Hornet fighter aircraft; a six-year contract, potentially worth $80 million, by a classified customer; a 30-month contract, potentially worth $42 million, by Sierra Nevada Corporation to design, build and integrate the synthetic aperture radar (SAR) satellite payload as part of NASA s Rapid Response Space Works and Modular Space Vehicles program; and a four-year contract, potentially worth $19 million, by the State of Florida Agency for Health Care Administration (AHCA) to implement a statewide health information exchange (HIE) that will improve the delivery and coordination of health care. Also during the second quarter of fiscal 2011, our Harris CapRock business was awarded an option year extension, potentially worth $80 million, on the Defense Information Systems Network Access Transport Services (DATS) contract with the Defense Information Systems Agency (DISA).

In the second quarter of fiscal 2011, we announced a definitive agreement to acquire Schlumberger GCS for $397.5 million in cash, subject to post-closing adjustments. We believe this acquisition will add scale to our global managed satellite communications services capabilities, increase our international footprint and further diversify us into faster-growing markets. This acquisition is expected to close in the third quarter of fiscal 2011.

First Two Quarters 2011 Compared With First Two Quarters 2010: Government Communications Systems segment revenue increased 14.9 percent while operating income decreased 7.5 percent in the first two quarters of fiscal 2011 compared with the first two quarters of fiscal 2010. The reasons for the increase in revenue and decrease in operating income and operating income as a percent of revenue are primarily the same as those noted above regarding the second quarters of fiscal 2011 and 2010. In addition, operating income in the first quarter of fiscal 2010 benefited from favorable award fees for the completion of the equipment build-out phase on the FAA Telecommunications Infrastructure (FTI) program for the Federal Aviation Administration (FAA).

Broadcast Communications Segment

	Quarter Ended			Two Quarters Ended		
	December 31, 2010	January 1, 2010	% Inc/(Dec)	December 31, 2010	January 1, 2010	% Inc/(Dec)
			(Dollars in millions)			
Revenue	$130.0	$116.8	11.3%	$251.6	$235.5	6.8%
Segment operating loss	(0.8)	(4.8)	(83.3)%	(9.4)	(4.5)	108.9%
% of revenue	*(0.6)%*	*(4.1)%*		*(3.7)%*	*(1.9)%*	

Second Quarter 2011 Compared With Second Quarter 2010: Broadcast Communications segment revenue in the second quarter of fiscal 2011 was $130.0 million compared with $116.8 million in the second quarter of fiscal 2010. Our Broadcast Communications segment had an operating loss in the second quarter of fiscal 2011 of $0.8 million compared with an operating loss of $4.8 million in the second quarter of fiscal 2010. The second quarter of fiscal 2011 included a $0.7 million charge related to cost-reduction actions. We still expect approximately $5 million of cost-reduction charges in total for this segment in fiscal 2011, although we can give no assurances concerning future cost-reduction charges.

Broadcast Communications segment orders in the second quarter of 2011 were $134 million compared with $139 million in the second quarter of fiscal 2010 and $135 million in the first quarter of fiscal 2011. Orders in the

second quarter of 2011 included $4 million from CTV Television for transmitters to support Canada s transition from analog to digital, $4 million from Mustafa Sultan Security Co. to build out a video distribution network, and $3.4 million from Viditec S.A. in Argentina to assist in the roll-out of digital TV services throughout the country.

First Two Quarters 2011 Compared With First Two Quarters 2010: Broadcast Communications segment revenue increased 6.8 percent in the first two quarters of fiscal 2011 from the first two quarters of fiscal 2010. There was an operating loss of $9.4 million in the first two quarters of fiscal 2011 compared with an operating loss of $4.5 million in the first two quarters of fiscal 2010. The first two quarters of fiscal 2011 included $1.7 million in charges related to cost-reduction actions.

Unallocated Corporate Expense and Corporate Eliminations

	Quarter Ended			Two Quarters Ended		
	December 31, 2010	January 1, 2010	% Inc/(Dec)	December 31, 2010	January 1, 2010	% Inc/(Dec)
	(Dollars in millions)					
Unallocated corporate expense	$22.0	$24.8	(11.3)%	$47.7	$44.0	8.4%
Corporate eliminations	5.1	2.6	96.2%	8.5	4.6	84.8%

Second Quarter 2011 Compared With Second Quarter 2010: Unallocated corporate expense decreased 11.3 percent to $22.0 million in the second quarter of fiscal 2011 from $24.8 million in the second quarter of fiscal 2010. Unallocated corporate expense in the second quarter of fiscal 2010 was impacted by charitable contributions and a charge associated with a contract termination. Corporate eliminations increased to $5.1 million in the second quarter of fiscal 2011 from $2.6 million in the second quarter of fiscal 2010 due to higher intersegment activity.

First Two Quarters 2011 Compared With First Two Quarters 2010: Unallocated corporate expense increased 8.4 percent to $47.7 million in the first two quarters of fiscal 2011 from $44.0 million in the first two quarters of fiscal 2010. Corporate eliminations increased to $8.5 million in the first two quarters of fiscal 2011 from $4.6 million in the first two quarters of fiscal 2010. Unallocated corporate expense increased primarily due to investments made in pursuit of new growth opportunities and higher compensation and benefit plan expenses. Partially offsetting this increase were higher charitable contributions and a charge associated with a contract termination incurred in the second quarter of fiscal 2010 as noted above regarding the second quarters of fiscal 2011 and fiscal 2010. Corporate eliminations increased due to higher intersegment activity.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

	Two Quarters Ended	
	December 31, 2010	January 1, 2010
	(In millions)	
Net cash provided by operating activities	$ 389.3	$ 321.4
Net cash used in investing activities	(636.2)	(76.1)
Net cash provided by (used in) financing activities	529.5	(218.7)
Effect of exchange rate changes on cash and cash equivalents	3.0	2.4
Net increase in cash and cash equivalents	285.6	29.0
Cash and cash equivalents, beginning of year	455.2	281.2
Cash and cash equivalents, end of quarter	$ 740.8	$ 310.2

Cash and Cash Equivalents: Our cash and cash equivalents increased $285.6 million to $740.8 million at the end of the second quarter of fiscal 2011 from $455.2 million at the end of fiscal 2010. The increase was primarily due to $389.3 million of net cash provided by operating activities and $688.7 million of net proceeds from borrowings, partially offset by $518.0 million of cash paid for our acquisition of CapRock, $105.7 million used to repurchase shares of our common stock, $101.0 million of property, plant and equipment additions and $64.0 million used to pay cash dividends.

Our financial position remained strong at December 31, 2010. We ended the second quarter of fiscal 2011 with cash and cash equivalents of $740.8 million; we have no long-term debt maturing until fiscal 2016; we have a senior

unsecured $750 million revolving credit facility that expires in September 2013 ($720.0 million of which was available to us as of December 31, 2010 as a result of $30.0 million of short-term debt outstanding under our commercial paper program, which was supported by such senior unsecured revolving credit facility); we have a senior unsecured $300 million 364-day revolving credit facility that expires on September 28, 2011 (all of which was available to us as of December 31, 2010); and we do not have any material defined benefit pension plan obligations.

Given our current cash position, outlook for funds generated from operations, credit ratings, available credit facilities, cash needs and debt structure, we have not experienced to date, and do not expect to experience, any material issues with liquidity, although we can give no assurances concerning our future liquidity.

We also currently believe that existing cash, funds generated from operations, our credit facilities and access to the public and private debt and equity markets will be sufficient to provide for our anticipated working capital requirements, capital expenditures and repurchases under our share repurchase program for the next 12 months. We anticipate tax payments over the next three years to be approximately equal to our tax expense during the same period. We anticipate that our fiscal 2011 cash outlays may include strategic acquisitions in addition to our pending acquisition of Schlumberger GCS announced on November 8, 2010. Other than those cash outlays noted in the Commercial Commitments and Contractual Obligations discussion below in this MD&A, capital expenditures, potential acquisitions (including our pending acquisition of Schlumberger GCS) and repurchases under our share repurchase program, no other significant cash outlays are anticipated during the remainder of fiscal 2011.

There can be no assurance, however, that our business will continue to generate cash flow at current levels, that ongoing operational improvements will be achieved, or that the cost or availability of future borrowings, if any, under our commercial paper program or our credit facilities or in the debt markets will not be impacted by any potential future credit and capital markets disruptions. If we are unable to maintain cash balances or generate sufficient cash flow from operations to service our obligations, we may be required to sell assets, reduce capital expenditures, reduce or eliminate strategic acquisitions, reduce or terminate our share repurchase program, reduce or eliminate dividends, refinance all or a portion of our existing debt or obtain additional financing. Our ability to make principal payments or pay interest on or refinance our indebtedness depends on our future performance and financial results, which, to a certain extent, are subject to general conditions in or affecting the defense, government and broadcast communications markets and to general economic, political, financial, competitive, legislative and regulatory factors beyond our control.

Net cash provided by operating activities: Our net cash provided by operating activities was $389.3 million in the first two quarters of fiscal 2011 compared with $321.4 million in the first two quarters of fiscal 2010. Cash flow from operations increased in all of our business segments in the first two quarters of fiscal 2011, primarily reflecting strong operating results.

Net cash used in investing activities: Our net cash used in investing activities was $636.2 million in the first two quarters of fiscal 2011 compared with $76.1 million in the first two quarters of fiscal 2010. Net cash used in investing activities in the first two quarters of fiscal 2011 consisted of $518.0 million of cash paid for our acquisition of CapRock, $101.0 million of property, plant and equipment additions, $10.0 of cash paid for a cost-method investment and $7.2 million of capitalized software additions. Net cash used in investing activities in the first two quarters of fiscal 2010 consisted of $38.5 million of property, plant and equipment additions, $3.9 million of capitalized software additions and $33.7 million of cash paid for acquired businesses. The increase in our capital expenditures in the first two quarters of fiscal 2011 compared with the first two quarters of fiscal 2010 was primarily due to the build-out of a newly acquired facility for our new Harris Cyber Integration Center and our recently acquired RF Communications manufacturing facility. Our total capital expenditures, including capitalized software, in fiscal 2011 are expected to be between $320 million and $340 million, primarily reflecting accelerated investment in our Harris Cyber Integration Center and other growth initiatives.

Net cash provided by (used in) financing activities: Our net cash provided by financing activities was $529.5 million in the first two quarters of fiscal 2011 compared with net cash used in financing activities of $218.7 million in the first two quarters of fiscal 2010. Net cash provided by financing activities in the first two quarters of fiscal 2011 primarily consisted of $688.7 million of net proceeds from borrowings to partially fund our acquisition of CapRock, partially offset by $105.7 million used to repurchase shares of our common stock and $64.0 million used to pay cash dividends. Net cash used in financing activities in the second quarter of fiscal 2010 primarily consisted of $61.4 million used for repayments of borrowings, $105.5 million used to repurchase shares of our common stock and $57.8 million used to pay cash dividends.

Common Stock Repurchases

During the second quarter of fiscal 2011, we used $50.0 million to repurchase 1,083,862 shares of our common stock under our repurchase program at an average price per share of $46.13, including commissions. During the second quarter of fiscal 2010, we used $50.0 million to repurchase 1,141,800 shares of our common stock under our repurchase program at an average price per share of $43.78, including commissions. During the first two quarters of

fiscal 2011, we used $100.0 million to repurchase 2,257,762 shares of our common stock under our repurchase program at an average price per share of $44.29, including commissions. During the first two quarters of fiscal 2010, we used $100.0 million to repurchase 2,584,872 shares of our common stock under our repurchase program at an average price per share of $38.68, including commissions. In each of the second quarter of fiscal 2011 and second quarter of fiscal 2010, $0.2 million in shares of our common stock was delivered to us or withheld by us to satisfy withholding taxes on employee share-based awards. In the first two quarters of fiscal 2011 and first two quarters of fiscal 2010, $5.7 million and $5.5 million, respectively, in shares of our common stock were delivered to us or withheld by us to satisfy withholding taxes on employee share-based awards. Shares repurchased by us are cancelled and retired.

As of December 31, 2010, we have a remaining authorization to repurchase approximately $350 million in shares of our common stock under our repurchase program, which does not have a stated expiration date. Repurchases under our repurchase program may be made through open market purchases, private transactions, transactions structured through investment banking institutions or any combination thereof. Share repurchases are expected to be funded with available cash. The level of our repurchases depends on a number of factors, including our financial condition, capital requirements, results of operations, future business prospects and other factors that our Board of Directors may deem relevant. The timing, volume and nature of share repurchases are subject to market conditions, applicable securities laws and other factors and are at our discretion and may be suspended or discontinued at any time.

Additional information regarding share repurchases during the second quarter of fiscal 2011 and our repurchase program is set forth in this Report under Part II. Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Dividends

On August 28, 2010, our Board of Directors increased the quarterly cash dividend rate on our common stock from $.22 per share to $.25 per share, for an annualized cash dividend rate of $1.00 per share, which was our ninth consecutive annual increase in our quarterly cash dividend rate. Our annualized cash dividend rate was $.88 per share in fiscal 2010. There can be no assurances that our annualized cash dividend rate will continue to increase. Quarterly cash dividends are typically paid in March, June, September and December. We currently expect that cash dividends will continue to be paid in the near future, but we can give no assurances concerning payment of future dividends. The declaration of dividends and the amount thereof will depend on a number of factors, including our financial condition, capital requirements, results of operations, future business prospects and other factors that our Board of Directors may deem relevant.

Capital Structure and Resources

364-Day Revolving Credit Agreement: As discussed in *Note I Credit Arrangements* in the Notes, on September 29, 2010, we entered into the $300 million senior unsecured 364-Day Revolving Credit Agreement with a syndicate of lenders. The 364-Day Revolving Credit Agreement provides for the extension of credit to us in the form of revolving loans at any time and from time to time during the term of the 364-Day Revolving Credit Agreement, in an aggregate principal amount at any time outstanding not to exceed $300 million. Borrowings under the 364-Day Revolving Credit Agreement will be denominated in U.S. Dollars. The 364-Day Revolving Credit Agreement may be used for working capital and other general corporate purposes (excluding hostile acquisitions) and may also be used to support any commercial paper that we may issue.

At our election, borrowings under the 364-Day Revolving Credit Agreement will bear interest either at LIBOR plus an applicable margin or at the base rate plus an applicable margin. The interest rate margin over LIBOR, initially set at 1.75 percent, may increase (to a maximum amount of 2.25 percent) or decrease (to a minimum amount of 1.25 percent) based on changes in our Senior Debt Ratings. The base rate is a fluctuating rate equal to the highest of (i) the federal funds rate plus 0.50 percent, (ii) SunTrust Bank s publicly announced prime lending rate for U.S. Dollars or (iii) LIBOR for an interest period of one month plus 1.00 percent. The interest rate margin over the base rate, initially set at 0.75 percent, may increase (to a maximum amount of 1.25 percent) or decrease (to a minimum amount of 0.25 percent) based on our Senior Debt Ratings.

The 364-Day Revolving Credit Agreement contains certain customary covenants similar to the 2008 Credit Agreement discussed below. We were in compliance with the covenants in the 364-Day Revolving Credit Agreement in the second quarter of fiscal 2011. The 364-Day Revolving Credit Agreement contains certain events of default similar to the 2008 Credit Agreement discussed below. If an event of default occurs 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 amounts borrowed or outstanding under the 364-Day Revolving Credit Agreement are due and mature on September 28, 2011, unless the commitments are terminated earlier either at our request or if certain events of default occur. At December 31, 2010, we had no borrowings outstanding under the 364-Day Revolving Credit Agreement.

2008 Credit Agreement: On September 10, 2008, we entered into a five-year, senior unsecured revolving credit agreement (the 2008 Credit Agreement) with a syndicate of lenders. The 2008 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 2008 Credit Agreement, in an aggregate principal amount at any time outstanding not to exceed $750 million for both revolving loans and letters of credit, with a sub-limit of $50 million for swingline loans and $125 million for letters of credit. The 2008 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 2008 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 2008 Credit Agreement exceed $1.25 billion. The 2008 Credit Agreement may be used for working capital and other general corporate purposes (excluding hostile acquisitions) and to support any commercial paper that we may issue. Borrowings under the 2008 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 $150 million. We may designate certain wholly owned subsidiaries as borrowers under the 2008 Credit Agreement, and the obligations of any such subsidiary borrower must be guaranteed by Harris Corporation. We also may designate certain subsidiaries as unrestricted subsidiaries, which means certain of the covenants and representations in the 2008 Credit Agreement do not apply to such subsidiaries.

At our election, borrowings under the 2008 Credit Agreement denominated in U.S. Dollars will bear interest either at LIBOR plus an applicable margin or at the base rate plus an applicable margin. The interest rate margin over LIBOR, initially set at 0.50 percent, may increase (to a maximum amount of 1.725 percent) or decrease (to a minimum of 0.385 percent) based on our Senior Debt Ratings and on the degree of utilization under the 2008 Credit Agreement (Utilization). The base rate is a fluctuating rate equal to the higher of the federal funds rate plus 0.50 percent or SunTrust Bank s publicly announced prime lending rate for U.S. Dollars. The interest rate margin over the base rate is 0.00 percent, but if our Senior Debt Ratings fall to BB+/Ba1 or below, then the interest rate margin over the base rate will increase to either 0.225 percent or 0.725 percent based on Utilization. Borrowings under the 2008 Credit Agreement denominated in a currency other than U.S. Dollars will bear interest at LIBOR plus the applicable interest rate margin over LIBOR described above. Letter of credit fees are also determined based on our Senior Debt Ratings and Utilization.

The 2008 Credit Agreement contains certain customary covenants, including covenants limiting: certain liens on our assets; certain mergers, consolidations or sales of assets; certain sale and leaseback transactions; certain vendor financing investments; and certain investments in unrestricted subsidiaries. The 2008 Credit Agreement also requires that we not permit our ratio of consolidated total indebtedness to total capital, each as defined, to be greater than 0.60:1.00 and not permit our ratio of consolidated EBITDA to consolidated net interest expense, each as defined, to be less than 3.00:1.00 (measured on the last day of each fiscal quarter for the rolling four-quarter period then ending). We were in compliance with the covenants in the 2008 Credit Agreement in the second quarter of fiscal 2011. The 2008 Credit Agreement contains certain events of default, including: failure to make payments; failure to perform or observe terms, covenants and agreements; material inaccuracy of any representation or warranty; payment default under other indebtedness with a principal amount in excess of $75 million, other default under such other indebtedness that permits acceleration of such indebtedness, or acceleration of such other indebtedness; occurrence of one or more final judgments or orders for the payment of money in excess of $75 million that remain unsatisfied; incurrence of certain ERISA liability in excess of $75 million; any bankruptcy or insolvency; or a change of control, 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 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 amounts borrowed or outstanding under the 2008 Credit Agreement are due and mature on September 10, 2013, unless the commitments are terminated earlier either at our request or if certain events of default occur. At December 31, 2010, we had no borrowings outstanding under the 2008 Credit Agreement, but we had $30.0 million of short-term debt outstanding under our commercial paper program, which was supported by the 2008 Credit Agreement.

Long-Term Debt: On December 3, 2010, we completed the issuance of $400 million in aggregate principal amount of 4.40% Notes due December 15, 2020 (the 2020 Notes) and $300 million in aggregate principal amount of 6.15% Notes due December 15, 2040 (the 2040 Notes). Interest on each of the 2020 Notes and the 2040 Notes is payable semi-annually in arrears on June 15 and December 15 of each year. We may redeem the 2020 Notes and/or the 2040 Notes at any time in whole or, from time to time, in part at the applicable make-whole redemption price. The applicable make-whole redemption price is equal to the greater of 100 percent of the principal amount of the notes being redeemed or the sum of the present values of the remaining scheduled payments of the principal and interest (other than interest accruing to the date of redemption) on the notes being redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate, as defined, plus 25 basis points in the case of the 2020 Notes and 35 basis points in the case of the 2040 Notes. In each

case, we will pay accrued interest on the principal amount of the notes being redeemed to the redemption date. In addition, upon a change of control combined with a below-investment-grade rating event, we may be required to make an offer to repurchase the notes at a price equal to 101 percent of the aggregate principal amount of the notes repurchased, plus accrued interest on the notes repurchased to the date of repurchase. We incurred $5.5 million and $4.8 million in debt issuance costs and discounts related to the issuance of the 2020 Notes and 2040 Notes, respectively, which are being amortized on a straight-line basis over the respective lives of the notes, which approximates the effective interest rate method, and are reflected as a portion of interest expense in the accompanying Condensed Consolidated Statement of Income (Unaudited).

On June 9, 2009, we completed the issuance of $350 million in aggregate principal amount of 6.375% Notes due June 15, 2019. Interest on the notes is payable on June 15 and December 15 of each year. We may redeem the notes at any time in whole or, from time to time, in part at the make-whole redemption price. The make-whole redemption price is equal to the greater of 100 percent of the principal amount of the notes being redeemed or the sum of the present values of the remaining scheduled payments of the principal and interest (other than interest accruing to the date of redemption) on the notes being redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate, as defined, plus 37.5 basis points. In each case, we will pay accrued interest on the principal amount of the notes being redeemed to the redemption date. In addition, upon a change of control combined with a below-investment-grade rating event, we may be required to make an offer to repurchase the notes at a price equal to 101 percent of the aggregate principal amount of the notes repurchased, plus accrued interest on the notes repurchased to the date of repurchase. We incurred $4.1 million in debt issuance costs and discounts related to the issuance of the notes, which are being amortized on a straight-line basis over the life of the notes, which approximates the effective interest rate method, and are reflected as a portion of interest expense in the accompanying Condensed Consolidated Statement of Income (Unaudited).

On December 5, 2007, we completed the issuance of $400 million in aggregate principal amount of 5.95% Notes due December 1, 2017. Interest on the notes is payable on June 1 and December 1 of each year. We may redeem the notes at any time in whole or, from time to time, in part at the make-whole redemption price. The make-whole redemption price is equal to the greater of 100 percent of the principal amount of the notes being redeemed or the sum of the present values of the remaining scheduled payments of the principal and interest (other than interest accruing to the date of redemption) on the notes being redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate, as defined, plus 30 basis points. In each case, we will pay accrued interest on the principal amount of the notes being redeemed to the redemption date. In addition, upon a change of control combined with a below-investment-grade rating event, we may be required to make an offer to repurchase the notes at a price equal to 101 percent of the aggregate principal amount of the notes repurchased, plus accrued interest on the notes repurchased to the date of repurchase. In conjunction with the issuance of the notes, we entered into treasury lock agreements to protect against fluctuations in forecasted interest payments resulting from the issuance of ten-year, fixed-rate debt due to changes in the benchmark U.S. Treasury rate. These agreements were determined to be highly effective in offsetting changes in forecasted interest payments as a result of changes in the benchmark U.S. Treasury rate. Upon termination of these agreements on December 6, 2007, we recorded a loss of $5.5 million, net of income tax, in shareholders equity as a component of accumulated other comprehensive income. This loss, along with $5.0 million in debt issuance costs, is being amortized on a straight-line basis over the life of the notes, which approximates the effective interest rate method, and is reflected as a portion of interest expense in the accompanying Condensed Consolidated Statement of Income (Unaudited).

On September 20, 2005, we completed the issuance of $300 million in aggregate principal amount of 5% Notes due October 1, 2015. Interest on the notes is payable on April 1 and October 1 of each year. We may redeem the notes in whole, or in part, at any time at the make-whole redemption price. The make-whole redemption price is equal to the greater of 100 percent of the principal amount of the notes being redeemed or the sum of the present values of the remaining scheduled payments of the principal and interest (other than interest accruing to the date of redemption) on the notes being redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate, as defined, plus 15 basis points. In each case, we will pay accrued interest on the principal amount of the notes being redeemed to the redemption date. We incurred $4.1 million in debt issuance costs and discounts related to the issuance of the notes, which are being amortized on a straight-line basis over a ten-year period and reflected as a portion of interest expense in the accompanying Condensed Consolidated Statement of Income (Unaudited).

In February 1998, we completed the issuance of $150 million in aggregate principal amount of 6.35% Debentures due February 1, 2028. On December 5, 2007, we repurchased and retired $25.0 million in aggregate principal amount of the debentures. On February 1, 2008, we redeemed $99.2 million in aggregate principal amount of the debentures pursuant to the procedures for redemption at the option of the holders of the debentures. We may redeem the remaining $25.8 million in aggregate principal amount of the debentures in whole, or in part, at any time at a

pre-determined redemption price.

In January 1996, we completed the issuance of $100 million in aggregate principal amount of 7% Debentures due January 15, 2026. The debentures are not redeemable prior to maturity.

Short-Term Debt: Our short-term debt at December 31, 2010, October 1, 2010 and July 2, 2010 was $30.0 million, $275.0 million and $30.0 million, respectively, and consisted primarily of commercial paper outstanding under our commercial paper program, which was supported by our senior unsecured revolving credit facility under the 2008 Credit Agreement. During the first quarter of fiscal 2011, we issued approximately $320 million of commercial paper to fund a portion of the purchase price for our acquisition of CapRock. During the second quarter of fiscal 2011, we used approximately $285 million of the net proceeds from the sale of the 2020 Notes and 2040 Notes described above for repayment of a substantial portion of our outstanding commercial paper.

Other: We have an automatically effective, universal shelf registration statement, filed with the SEC on June 3, 2009, related to the potential future issuance of an indeterminate amount of securities, including debt securities, preferred stock, common stock, fractional interests in preferred stock represented by depositary shares and warrants to purchase debt securities, preferred stock or common stock.

We expect to maintain operating ratios, fixed-charge coverage ratios and balance sheet ratios sufficient for retention of, or improvement to, our current debt ratings. There are no assurances that our debt ratings will not be reduced in the future. If our debt ratings are lowered below investment grade, then we may not be able to issue short-term commercial paper, but may instead need to borrow under our credit facilities or pursue other options. In addition, if our debt ratings are lowered below investment grade, then we may also be required to provide cash collateral to support outstanding performance bonds. For a discussion of such performance bonds, see the Commercial Commitments discussion in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations in our Fiscal 2010 Form 10-K. We do not currently foresee losing our investment-grade debt ratings, but no assurances can be given. If our debt ratings were downgraded, however, it could adversely impact, among other things, our future borrowing costs and access to capital markets and our ability to receive certain types of contract awards.

Off-Balance Sheet Arrangements

In accordance with the definition under SEC rules, any of the following qualify as off-balance sheet arrangements:

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

Currently we are not participating in any material transactions that generate relationships with unconsolidated entities or financial partnerships, including variable interest entities, and we do not have any material retained or contingent interest in assets as defined above. As of December 31, 2010, we did not have material financial guarantees or other contractual commitments that are reasonably likely to adversely affect our results of operations, financial condition or cash flows. In addition, we are not currently a party to any related party transactions that materially affect our results of operations, financial condition or cash flows.

We have, from time to time, divested certain of our businesses and assets. In connection with these divestitures, we often provide representations, warranties and/or indemnities to cover various risks and unknown liabilities, such as environmental liabilities and tax liabilities. We cannot estimate the potential liability from such representations, warranties and indemnities because they relate to unknown conditions. We do not believe, however, that the liabilities relating to these representations, warranties and indemnities will have a material adverse effect on our results of operations, financial condition or cash flows.

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

Commercial Commitments and Contractual Obligations

The amounts disclosed in our Fiscal 2010 Form 10-K include our commercial commitments and contractual obligations. During the two quarters ended December 31, 2010:

- We incurred additional operating lease commitments of approximately $137 million associated with our acquisition of CapRock (primarily with respect to satellite bandwidth) in the first quarter of fiscal 2011;

We issued $400 million in aggregate principal amount of 4.40% Notes due December 15, 2020 and $300 million in aggregate principal amount of 6.15% Notes due December 15, 2040 in the second quarter of fiscal 2011; and

We entered into a definitive agreement to acquire Schlumberger GCS for $397.5 million in cash, subject to post-closing adjustments, as announced on November 8, 2010.

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Other than the changes mentioned above, no material changes occurred in our contractual cash obligations to repay debt, to purchase goods and services and to make payments under operating leases or our commercial commitments and contingent liabilities on outstanding surety bonds, letters of credit, guarantees and other arrangements as disclosed in our Fiscal 2010 Form 10-K.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our Condensed Consolidated Financial Statements (Unaudited) and accompanying Notes are prepared in accordance with U.S. generally accepted accounting principles. Preparing financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are affected by the application of our accounting policies. Our significant accounting policies are described in Note 1: Significant Accounting Policies in our Notes to Consolidated Financial Statements included in our Fiscal 2010 Form 10-K. Critical accounting policies and estimates are those that require application of management s most difficult, subjective or complex judgments, often as a result of matters that are inherently uncertain and may change in subsequent periods. Critical accounting policies and estimates for us include: (i) revenue recognition on development and production contracts and contract estimates, (ii) provisions for excess and obsolete inventory losses, (iii) impairment testing of goodwill and other intangible assets, and (iv) income taxes and tax valuation allowances. For additional discussion of our critical accounting policies and estimates, see the Critical Accounting Policies and Estimates discussion in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations in our Fiscal 2010 Form 10-K.

Impact of Recently Issued Accounting Standards

Accounting standards issued but not effective for us until after December 31, 2010 are not expected to have a material impact on our financial position, results of operations or cash flows.

FORWARD-LOOKING STATEMENTS AND FACTORS THAT MAY AFFECT FUTURE RESULTS

This Report contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they do not materialize or prove correct, could cause our results to differ materially from those expressed in or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including, but not limited to, statements concerning: our plans, strategies and objectives for future operations; new products, services or developments; future economic conditions, performance or outlook; the outcome of contingencies; the potential level of share repurchases; the value of our contract awards and programs; expected cash flows or capital expenditures; our beliefs or expectations; activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future; and assumptions underlying any of the foregoing. Forward-looking statements may be identified by their use of forward-looking terminology, such as believes, expects, may, should, would, will, intends, plans, estimates, anticipates, projects and expressions. You should not place undue reliance on these forward-looking statements, which reflect our management s opinions only as of the date of the filing of this Report and are not guarantees of future performance or actual results. Forward-looking statements are made in reliance upon the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). The following are some of the factors we believe could cause our actual results to differ materially from our historical results or our current expectations or projections:

We depend on U.S. Government customers for a significant portion of our revenue, and the loss of this relationship or a shift in U.S. Government funding priorities could have adverse consequences on our future business.

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

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

We derive a significant portion of our revenue from international operations and are subject to the risks of doing business internationally, including fluctuations in currency exchange rates.

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

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

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

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

We cannot predict the consequences of future geo-political events, but they may adversely affect the markets in which we

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operate, our ability to insure against risks, our operations or our profitability.

We have made, and may continue to make, strategic acquisitions that involve significant risks and uncertainties.

Disputes with our subcontractors and the inability of our subcontractors to perform, or our key suppliers to timely deliver our components, parts or services, could cause our products to be produced in an untimely or unsatisfactory manner.

Third parties have claimed in the past and may claim in the future that we are infringing directly or indirectly upon their intellectual property rights, and third parties may infringe upon our intellectual property rights.

The outcome of litigation or arbitration in which we are involved is unpredictable and an adverse decision in any such matter could have a material adverse effect on our financial condition and results of operations.

We face certain significant risk exposures and potential liabilities that may not be covered adequately by insurance or indemnity.

Changes in our effective tax rate may have an adverse effect on our results of operations.

The effects of the recent recession in the United States and general downturn in the global economy could have an adverse impact on our business, operating results or financial condition.

We have significant operations in Florida and other locations that could be materially and adversely impacted in the event of a natural disaster or other significant disruption.

We could be negatively impacted by a security breach, through cyber attack, cyber intrusion or otherwise, or other significant disruption of our IT networks and related systems or of those we operate for certain of our customers.

We rely on third parties to provide satellite bandwidth for our managed satellite communications services, and any bandwidth constraints could harm our business, financial condition and results of operations.

Changes in future business conditions could cause business investments and/or recorded goodwill to become impaired, resulting in substantial losses and write-downs that would reduce our results of operations.

We must attract and retain key employees, and failure to do so could seriously harm us.

Additional details and discussions concerning some of the factors that could affect our forward-looking statements or future results are set forth in our Fiscal 2010 Form 10-K under Item 1A. Risk Factors. The foregoing list of factors and the factors set forth in Item 1A. Risk Factors included in our Fiscal 2010 Form 10-K and in Part II. Item 1A. Risk Factors in this Report are not exhaustive. Additional risks and uncertainties not known to us or that we currently believe not to be material also may adversely impact our business, results of operations, financial position and cash flows. Should any risks or uncertainties develop into actual events, these developments could have a material adverse effect on our business, results of operations, financial position and cash flows. The forward-looking statements contained in this Report are made as of the date hereof and we disclaim any intention or obligation, other than imposed by law, to update or revise any forward-looking statements or to update the reasons actual results could differ materially from those projected in the forward-looking statements, whether as a result of new information, future events or otherwise. For further information concerning risk factors, see Part II. Item 1A. Risk Factors in this Report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

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

instruments to manage our exposure to such risks.

Foreign Exchange and Currency: We use foreign currency forward contracts and options to hedge both balance sheet and off-balance sheet future foreign currency commitments. Factors that could impact the effectiveness of our hedging programs for foreign currency include accuracy of sales estimates, volatility of currency markets and the cost and availability of hedging instruments. A 10 percent adverse change in currency exchange rates for our foreign currency derivatives held at December 31, 2010 would not have had a material impact on the fair value of such instruments. This quantification of exposure to the market risk associated with foreign currency financial instruments does not take into account the offsetting impact of changes in the fair value of our foreign denominated assets, liabilities and firm commitments. See *Note O Derivative Instruments and Hedging Activities* in the Notes for additional information.

Interest Rates: As of December 31, 2010, we had long-term debt obligations and short-term debt under our commercial paper program subject to interest rate risk. Because the interest rates on our long-term debt obligations are fixed, and because our long-term debt is not putable (redeemable at the option of the holders of the debt prior to maturity), the interest rate risk associated with this debt on our results of operations is not material. We have a short-term variable-rate commercial paper program in place, which we may utilize to satisfy short-term cash requirements. We can give no assurances that interest rates will not change significantly or have a material effect on our income or cash flows over the next twelve months.

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Item 4. Controls and Procedures.

(a) *Evaluation of disclosure controls and procedures:* We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Our disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can provide only reasonable assurance of achieving their control objectives, and management necessarily is required to use its judgment in evaluating the cost-benefit relationship of possible controls and procedures. As required by Rule 13a-15 under the Exchange Act, as of the end of the fiscal quarter ended December 31, 2010, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based upon this work and other evaluation procedures, our management, including our Chief Executive Officer and our Chief Financial Officer, has concluded that as of the end of the fiscal quarter ended December 31, 2010 our disclosure controls and procedures were effective.

(b) *Changes in internal control:* We periodically review our internal control over financial reporting as part of our efforts to ensure compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. In addition, we routinely review our system of internal control over financial reporting to identify potential changes to our processes and systems that may improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems, consolidating the activities of business units, migrating certain processes to our shared services organizations, formalizing policies and procedures, improving segregation of duties and adding additional monitoring controls. In addition, when we acquire new businesses, we incorporate our controls and procedures into the acquired business as part of our integration activities. There have been no changes in our internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Harris Stratex Networks, Inc. (now known as Aviat Networks, Inc.) (HSTX) and certain of its current and former officers and directors, including certain current Harris officers, were named as defendants in a federal securities class action complaint filed on September 15, 2008 in the United States District Court for the District of Delaware by plaintiff Norfolk County Retirement System on behalf of an alleged class of purchasers of HSTX securities from January 29, 2007 to July 30, 2008, including shareholders of Stratex Networks, Inc. (Stratex) who exchanged shares of Stratex for shares of HSTX as part of the combination between Stratex and our former Microwave Communications Division to form HSTX. Similar complaints were filed in the United States District Court for the District of Delaware on October 6, 2008 and October 30, 2008. The complaints were consolidated in a slightly expanded complaint filed on July 29, 2009 that, among other things, added Harris Corporation as a defendant. This action relates to public disclosures made by HSTX on January 30, 2007 and July 30, 2008, which included the restatement of HSTX s financial statements for the first three fiscal quarters of its fiscal 2008 (the quarters ended March 28, 2008, December 28, 2007 and September 28, 2007) and for its fiscal years ended June 29, 2007, June 30, 2006 and July 1, 2005 due to accounting errors. The consolidated complaint alleged violations of Section 10(b) and Section 20(a) of the Exchange Act and of Rule 10b-5 promulgated thereunder, as well as violations of Section 11 and Section 15 of the Securities Act, and sought, among other relief, determinations that the action is a proper class action, unspecified compensatory damages and reasonable attorneys fees and costs. We believe that the defendants have meritorious defenses to these actions and the defendants intend to defend the litigation vigorously.

Item 1A. Risk Factors.

Investors should carefully review and consider the information regarding certain factors which could materially affect our business, results of operations, financial condition and cash flows and set forth under Item 1A. Risk Factors in our Fiscal 2010 Form 10-K. We do not believe that there have been any material changes to the risk factors previously disclosed in our Fiscal 2010 Form 10-K. We may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC. Additional risks and uncertainties not presently known to us or that we currently believe not to be material may also adversely impact our business, results of operations, financial position and cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities

During the second quarter of fiscal 2011, we repurchased 1,083,862 shares of our common stock under our repurchase program at an average price per share of $46.11, excluding commissions. During the second quarter of fiscal 2010, we repurchased 1,141,800 shares of our common stock under our repurchase program at an average price per share of $43.76, excluding commissions. The level of our repurchases depends on a number of factors, including our financial condition, capital requirements, results of operations, future business prospects and other factors that our Board of Directors may deem relevant. The timing, volume and nature of share repurchases are subject to market conditions, applicable securities laws and other factors and are at our discretion and may be suspended or discontinued at any time. Shares repurchased by us are cancelled and retired.

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The following table sets forth information with respect to repurchases by us of our common stock during the fiscal quarter ended December 31, 2010:

Period*	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (1)	Maximum approximate dollar value of shares that may yet be purchased under the plans or programs (1)
Month No. 1				
(October 2, 2010-October 29, 2010)				
Repurchase Programs (1)	None	n/a	None	$ 400,549,402
Employee Transactions (2)	12,638	$ 44.46	n/a	n/a
Month No. 2				
(October 30, 2010-November 26, 2010)				
Repurchase Programs (1)	1,083,862	$ 46.11	1,083,862	$ 350,571,891
Employee Transactions (2)	9,733	$ 45.54	n/a	n/a
Month No. 3				
(November 27, 2010-December 31, 2010)				
Repurchase Programs (1)	None	n/a	None	$ 350,571,891
Employee Transactions (2)	7,591	$ 45.50	n/a	n/a
Total	1,113,824	$ 46.08	1,083,862	$ 350,571,891

* Periods represent our fiscal months.

(1) On March 2, 2009, we announced that on February 27, 2009, our Board of Directors approved a share repurchase program authorizing us to repurchase up to $600 million in shares of our stock through open-market transactions, private transactions, transactions structured through investment banking institutions or any combination thereof. Our repurchase program does not have a stated expiration date. The approximate dollar amount of our stock that may yet be purchased under our repurchase program as of December 31, 2010 was $350,571,891 (as reflected in the table above). Our repurchase program has resulted, and is expected to continue to result, in repurchases in excess of offsetting the dilutive effect of shares issued under our share-based incentive plans. However, the level of our repurchases depends on a number of factors, including our financial condition, capital requirements, results of operations, future business prospects and other factors that our Board of Directors may deem relevant. As a matter of policy, we do not repurchase shares during the period beginning on the 15th day of the third month of a fiscal quarter and ending two days following the public release of earnings and financial results for such fiscal quarter.

(2)

Represents a combination of (a) shares of our common stock delivered to us in satisfaction of the exercise price and/or tax withholding obligation by holders of employee stock options who exercised stock options, (b) shares of our common stock delivered to us in satisfaction of the tax withholding obligation of holders of performance shares or restricted shares which vested during the quarter, (c) performance or restricted shares returned to us upon retirement or employment termination of employees or (d) shares of our common stock purchased by, or sold to us by, the Harris Corporation Master Rabbi Trust, with the trustee thereof acting at our direction, to fund obligations of the Rabbi Trust under our deferred compensation plans. Our equity incentive plans provide that the value of shares delivered to us to pay the exercise price of options or to cover tax withholding obligations shall be the closing price of our common stock on the date the relevant transaction occurs.

Sales of Unregistered Securities

During the second quarter of fiscal 2011, we did not issue or sell any unregistered equity securities.

Item 3. Defaults Upon Senior Securities.

Not Applicable.

Item 4. (Removed and Reserved).

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Item 5. Other Information.

Not Applicable.

Item 6. Exhibits.

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

(1)	Underwriting Agreement dated as of November 30, 2010 among Harris Corporation and J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated, on behalf of themselves and several underwrites named therein, incorporated herein by reference to Exhibit 1.1 to the Company s Current Report on Form 8-K filed with the SEC on December 3, 2010. (Commission File Number 1-3863)
(2)	Share and Business Sale Agreement, dated as of November 6, 2010, between Schlumberger B.V. and Harris Corporation, incorporated herein by reference to Exhibit 2.1 to the Company s Current Report on Form 8-K filed with the SEC on November 12, 2010. (Commission File Number 1-3863)
(3)	(a) Restated Certificate of Incorporation of Harris Corporation (1995), as amended, incorporated herein by reference to Exhibit 3(a) to the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended September 26, 2008. (Commission File Number 1-3863)
	(b) By-Laws of Harris Corporation, as amended and restated effective October 24, 2008, incorporated herein by reference to Exhibit 3(ii) to the Company s Current Report on Form 8-K filed with the SEC on October 29, 2008. (Commission File Number 1-3863)
(4)	(a)(i) Indenture, dated as of September 3, 2003, between Harris Corporation and The Bank of New York, as Trustee, relating to unlimited amounts of debt securities which may be issued from time to time by the Company when and as authorized by the Company s Board of Directors or a Committee of the Board, incorporated herein by reference to Exhibit 4(b) to the Company s Registration Statement on Form S-3, Registration Statement No. 333-108486, filed with the SEC on September 3, 2003.
	(ii) Instrument of Resignation of Trustee, Appointment and Acceptance of Successor Trustee, dated as of June 2, 2009, among Harris Corporation, The Bank of New York Mellon (formerly known as The Bank of New York) and The Bank of New York Mellon Trust Company, N.A., as to Indenture dated as of September 3, 2003, incorporated herein by reference to Exhibit 4(m) to the Company s Registration Statement on Form S-3, Registration Statement No. 333-159688, filed with the SEC on June 3, 2009.
	(b) Form of the Company s 4.40% Notes due 2020, incorporated herein by reference to Exhibit 4.1 to the Company s Current Report on Form 8-K filed with the SEC on December 3, 2010. (Commission File Number 1-3863)
	(c) Form of the Company s 6.15% Notes due 2040, incorporated herein by reference to Exhibit 4.2 to the Company s Current Report on Form 8-K filed with the SEC on December 3, 2010. (Commission File Number 1-3863)
(10)	*(a) Summary of Annual Compensation of Outside Directors effective January 1, 2011, incorporated herein by reference to Exhibit 10.2 to the Company s Current Report on Form 8-K filed with the SEC on October 27, 2010. (Commission File Number 1-3863)
	*(b) Harris Corporation Retirement Plan (Amended and Restated Effective January 1, 2011).

(12) Computation of Ratio of Earnings to Fixed Charges.

(15) Letter Regarding Unaudited Interim Financial Information.

(31.1) Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.

(31.2) Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.

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(101.SCH) **XBRL Taxonomy Extension Schema Document.

(101.CAL) **XBRL Taxonomy Extension Calculation Linkbase Document.

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(101.DEF) **XBRL Taxonomy Extension Definition Linkbase Document.

* Management contract or compensatory plan or arrangement.

** Furnished herewith (not filed).

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SIGNATURE

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

	HARRIS CORPORATION (Registrant)
Date: January 27, 2011	By: /s/ Gary L. McArthur Gary L. McArthur Senior Vice President and Chief Financial Officer (principal financial officer and duly authorized officer)

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