IDACORP INC
Form 10-Q
August 08, 2007

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

(Mark One)

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

For the quarterly period ended June 30, 2007

OR

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

For the transition period from to

Commission File Number	Exact name of registrants as specified in their charters, address of principal executive offices, zip code and telephone number	I.R.S. Employer Identification Number
1-14465	**IDACORP, Inc.**	82-0505802
1-3198	**Idaho Power Company**	82-0130980
	1221 W. Idaho Street	
	Boise, ID 83702-5627	
	(208) 388-2200	
	State of Incorporation: Idaho	
	Websites: www.idacorpinc.com	
	www.idahopower.com	

None
Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrants (1) have 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 registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes _X_ No ___

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, or non-accelerated filers.

IDACORP, Inc.:						
	Large accelerated filer	X	Accelerated filer		Non-accelerated filer	
Idaho Power Company:						
	Large accelerated filer		Accelerated filer		Non-accelerated filer	X

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).
Yes ___ No _X_

Number of shares of Common Stock outstanding as of June 30, 2007:

IDACORP, Inc.: 44,303,372
Idaho Power Company: 39,150,812, all held by IDACORP, Inc.

This combined Form 10-Q represents separate filings by IDACORP, Inc. and Idaho Power Company. Information contained herein relating to an individual registrant is filed by that registrant on its own behalf. Idaho Power Company makes no representations as to the information relating to IDACORP, Inc.'s other operations.

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Idaho Power Company meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and is therefore filing this Form with the reduced disclosure format.

COMMONLY USED TERMS

AFDC	-	Allowance for Funds Used During Construction
Cal ISO	-	California Independent System Operator
CalPX	-	California Power Exchange
CAMP	-	Comprehensive Aquifer Management Plan
cfs	-	Cubic feet per second
DSM	-	Demand Side Management
Energy Act	-	Energy Policy Act of 2005
EPS	-	Earnings per share
ESA	-	Endangered Species Act
ESPA	-	Eastern Snake Plain Aquifer
FASB	-	Financial Accounting Standards Board
FERC	-	Federal Energy Regulatory Commission
FIN	-	Financial Accounting Standards Board Interpretation
Fitch	-	Fitch, Inc.
FPA	-	Federal Power Act

GAAP	-	Generally Accepted Accounting Principles in the United States of America
Ida-West	-	Ida-West Energy, a subsidiary of IDACORP, Inc.
IDEQ	-	Idaho Department of Environmental Quality
IDWR	-	Idaho Department of Water Resources
IE	-	IDACORP Energy, a subsidiary of IDACORP, Inc.
IERCO	-	Idaho Energy Resources Co.
IFS	-	IDACORP Financial Services, a subsidiary of IDACORP, Inc.
IPC	-	Idaho Power Company, a subsidiary of IDACORP, Inc.
IPUC	-	Idaho Public Utilities Commission
IRP	-	Integrated Resource Plan
ITI	-	IDACORP Technologies, Inc.
IWRB	-	Idaho Water Resource Board
kW	-	Kilowatt
maf	-	Million acre feet
MD&A	-	Management's Discussion and Analysis of Financial

		Condition and Results of Operations
Moody's	-	Moody's Investors Service
MW	-	Megawatt
MWh	-	Megawatt-hour
NEPA	-	National Environmental Policy Act of 1996
O & M	-	Operations and Maintenance
OPUC	-	Oregon Public Utility Commission
PCA	-	Power Cost Adjustment
PM&E	-	Protection, Mitigation and Enhancement
PURPA	-	Public Utility Regulatory Policies Act of 1978
RFP	-	Request for Proposal
RTO	-	Regional Transmission Organization
S&P	-	Standard & Poor's Ratings Services
SFAS	-	Statement of Financial Accounting Standards
SO_2	-	Sulfur Dioxide
SRBA	-	Snake River Basin Adjudication
Valmy	-	North Valmy Steam Electric Generating Plant
VIEs	-	Variable Interest Entities

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SAFE HARBOR STATEMENT

This Form 10-Q contains "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements should be read with the cautionary statements and important factors included in this Form 10-Q at Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Forward-Looking Information." Forward-looking statements are all statements other than statements of historical fact, including without limitation those that are identified by the use of the words "anticipates," "believes," "estimates," "expects," "intends," "plans,"

"predicts," "projects," "may result," "may continue" and similar expressions.

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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements
IDACORP, Inc.
Condensed Consolidated Statements of Income
(unaudited)

	Three months ended June 30, 2007	Three months ended June 30, 2006
	(thousands of dollars except for per share amounts)	
Operating Revenues:		
Electric utility:		
General business	$ 162,212	$ 159,210
Off-system sales	37,177	75,598
Other revenues	13,137	6,040
Total electric utility revenues	212,526	240,848
Other	1,246	1,787
Total operating revenues	213,772	242,635
Operating Expenses:		
Electric utility:		
Purchased power	80,467	74,808
Fuel expense	27,520	21,954
Power cost adjustment	(42,172)	4,600
Other operations and maintenance	78,888	69,840
Demand-side management	2,548	-
Gain on sale of emission allowances	(882)	(8,126)
Depreciation	25,613	24,633
Taxes other than income taxes	4,636	6,329
Total electric utility expenses	176,618	194,038
Other expense	582	3,046
Total operating expenses	177,200	197,084
Operating Income (Loss):		
Electric utility	35,908	46,810
Other	664	(1,259)
Total operating income	36,572	45,551
Other Income	3,862	5,080
Losses of Unconsolidated Equity-Method Investments	(1,551)	(2,208)
Other Expense	1,571	2,655
Interest Expense:		
Interest on long-term debt	13,896	14,200
Other interest	1,514	1,175
Total interest expense	15,410	15,375
Income Before Income Taxes	21,902	30,393
Income Tax Expense	3,437	7,720
Income from Continuing Operations	18,465	22,673
	-	(2,817)

Income (Losses) from Discontinued Operations, net of tax				
Net Income	$	18,465	$	19,856
Weighted Average Common Shares Outstanding - Basic (000's)		43,751		42,557
Weighted Average Common Shares Outstanding - Diluted (000's)		43,884		42,702
Earnings Per Share of Common Stock (basic and diluted):				
Earnings per share from Continuing Operations	$	0.42	$	0.53
Earnings (losses) per share from Discontinued Operations		-		(0.06)
Earnings Per Share of Common Stock	$	0.42	$	0.47
Dividends Paid Per Share of Common Stock	$	0.30	$	0.30

The accompanying notes are an integral part of these statements.

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IDACORP, Inc.
Condensed Consolidated Statements of Income
(unaudited)

	Six months ended June 30,			
		2007		2006
Operating Revenues:		(thousands of dollars except for per share amounts)		
Electric utility:				
General business	$	299,463	$	321,393
Off-system sales		95,016		179,839
Other revenues		23,976		6,890
Total electric utility revenues		418,455		508,122
Other		2,029		2,853
Total operating revenues		420,484		510,975
Operating Expenses:				
Electric utility:				
Purchased power		131,285		130,733
Fuel expense		58,432		48,923
Power cost adjustment		(63,708)		48,067
Other operations and maintenance		146,715		131,513
Demand-side management		4,663		-
Gain on sale of emission allowances		(882)		(8,235)
Depreciation		50,903		49,182
Taxes other than income taxes		9,554		11,900
Total electric utility expenses		336,962		412,083
Other expense		3,170		6,863
Total operating expenses		340,132		418,946
Operating Income (Loss):				
Electric utility		81,493		96,039
Other		(1,141)		(4,010)
Total operating income		80,352		92,029
Other Income		9,251		9,749
Losses of Unconsolidated Equity-Method Investments		(2,877)		(2,259)
Other Expense		4,782		4,076
Interest Expense:				
Interest on long-term debt		27,444		28,284
Other interest		3,118		2,204
Total interest expense		30,562		30,488
Income Before Income Taxes		51,382		64,955
Income Tax Expense		8,336		15,327
Income from Continuing Operations		43,046		49,628
Income (Losses) from Discontinued Operations, net of tax		67		(4,296)
Net Income	$	43,113	$	45,332
		43,709		42,515

Weighted Average Common Shares Outstanding - Basic (000's)				
Weighted Average Common Shares Outstanding - Diluted (000's)		43,845		42,642
Earnings Per Share of Common Stock:				
Earnings per share from Continuing Operations-Basic	$	0.99	$	1.17
Earnings (losses) per share from Discontinued Operations-Basic		-		(0.10)
Earnings Per Share of Common Stock-Basic	$	0.99	$	1.07
Earnings per share from Continuing Operations-Diluted	$	0.98	$	1.16
Earnings (losses) per share from Discontinued Operations-Diluted		-		(0.10)
Earnings Per Share of Common Stock-Diluted	$	0.98	$	1.06
Dividends Paid Per Share of Common Stock	$	0.60	$	0.60

The accompanying notes are an integral part of these statements.

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IDACORP, Inc.
Condensed Consolidated Balance Sheets
(unaudited)

	June 30, 2007	December 31, 2006
Assets	(thousands of dollars)	
Current Assets:		
Cash and cash equivalents	$ 12,464	$ 9,892
Receivables:		
Customer	64,318	62,131
Allowance for uncollectible accounts	(7,087)	(7,168)
Employee notes	2,338	2,569
Other	10,732	11,855
Energy marketing assets	9,533	12,069
Accrued unbilled revenues	42,823	31,365
Materials and supplies (at average cost)	42,370	39,079
Fuel stock (at average cost)	15,902	15,174
Prepayments	8,269	9,308
Taxes receivable	9,181	-
Deferred income taxes	31,357	28,035
Regulatory assets	1,309	1,480
Refundable income tax deposit	44,903	44,903
Other	3,581	2,513
Assets held for sale	-	3,326
Total current assets	291,993	266,531
Investments	200,430	202,825
Property, Plant and Equipment:		
Utility plant in service	3,651,623	3,583,694
Accumulated provision for depreciation	(1,446,131)	(1,406,210)
Utility plant in service - net	2,205,492	2,177,484
Construction work in progress	264,585	210,094
Utility plant held for future use	3,137	2,810
Other property, net of accumulated depreciation	28,377	28,692
Property, plant and equipment - net	2,501,591	2,419,080
Other Assets:		
American Falls and Milner water rights	30,022	30,543
Company-owned life insurance	32,604	34,055
Regulatory assets	426,398	423,548
Long-term receivables (net of allowance of $1,878)	3,583	3,802
Employee notes	2,310	2,411
Other	43,385	41,259
Assets held for sale	-	21,076
Total other assets	538,302	556,694
Total	$ 3,532,316	$ 3,445,130

The accompanying notes are an integral part of these statements.

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IDACORP, Inc.
Condensed Consolidated Balance Sheets
(unaudited)

Liabilities and Shareholders' Equity	June 30, 2007	December 31, 2006
	(thousands of dollars)	
Current Liabilities:		
Current maturities of long-term debt	$ 91,310	$ 95,125
Notes payable	86,900	129,000
Accounts payable	85,602	86,440
Energy marketing liabilities	10,842	13,532
Taxes accrued	-	47,402
Interest accrued	18,960	12,657
Other	54,745	23,572
Liabilities held for sale	-	2,606
Total current liabilities	348,359	410,334
Other Liabilities:		
Deferred income taxes	475,115	498,512
Regulatory liabilities	278,597	294,844
Other	196,148	179,836
Liabilities held for sale	-	8,773
Total other liabilities	949,860	981,965
Long-Term Debt	1,064,603	928,648
Commitments and Contingencies (Note 5)		
Shareholders' Equity:		
Common stock, no par value (shares authorized 120,000,000; 44,304,643 and 43,905,458 shares issued, respectively)	650,149	638,799
Retained earnings	525,266	493,363
Accumulated other comprehensive loss	(5,913)	(5,737)
Treasury stock (1,271 and 71,570 shares at cost, respectively)	(8)	(2,242)
Total shareholders' equity	1,169,494	1,124,183
Total	$ 3,532,316	$ 3,445,130

The accompanying notes are an integral part of these statements.

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IDACORP, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)

	Six Months Ended June 30,	
	2007	2006
	(thousands of dollars)	
Operating Activities:		
Net income	$ 43,113	$ 45,332
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	60,397	60,339
Deferred income taxes and investment tax credits	18,760	(35,056)
Changes in regulatory assets and liabilities	(65,257)	61,143
Undistributed earnings of subsidiaries	(2,922)	(4,607)
Gain on sale of assets	(2,687)	(7,547)
Other non-cash adjustments to net income	4,564	(1,957)
Change in:		
Accounts receivable and prepayments	(3,001)	26,095
Accounts payable and other accrued liabilities	(3,548)	(10,470)
Taxes accrued	(12,582)	14,317
Other current assets	(15,402)	(8,416)
Other current liabilities	11,160	10,003
Other assets	568	(2,345)
Other liabilities	8,300	(317)
Net cash provided by operating activities	41,463	146,514
Investing Activities:		
Additions to property, plant and equipment	(122,179)	(102,465)
Proceeds from the sale of IDACOMM	7,283	-
Investments in affordable housing	300	-
Proceeds from the sale of emission allowances	2,685	10,865
Investments in unconsolidated affiliates	(3,600)	(11,520)
Purchase of available-for-sale securities	(24,349)	(9,428)
Proceeds from the sale of available-for-sale securities	25,296	10,607
Purchase of held-to-maturity securities	(1,325)	(1,245)
Maturity of held-to-maturity securities	1,730	981
Other assets	1,377	857
Net cash used in investing activities	(112,782)	(101,348)
Financing Activities:		
Issuance of long-term debt	140,000	-
Retirement of long-term debt	(7,650)	(7,901)
Dividends on common stock	(26,286)	(25,521)
Net change in short-term borrowings	(42,100)	(14,900)
Issuance of common stock	12,451	4,816
Acquisition of treasury stock	(346)	-
Other	(2,178)	(145)

Net cash provided by (used in) financing activities		73,891		(43,651)
Net increase in cash and cash equivalents		2,572		1,515
Cash and cash equivalents at beginning of period		9,892		52,356
Cash and cash equivalents at end of period	$	12,464	$	53,871
Supplemental Disclosure of Cash Flow Information:				
Cash paid during the period for:				
Income taxes	$	3,314	$	34,623
Interest (net of amount capitalized)	$	29,342	$	29,317
Non-cash investing activities				
Additions to property, plant and equipment in accounts payable	$	9,878	$	9,481

The accompanying notes are an integral part of these statements.

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IDACORP, Inc.
Condensed Consolidated Statements of Comprehensive Income
(unaudited)

	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006
	(thousands of dollars)	
Net Income	$ 18,465	$ 19,856
Other Comprehensive Income (Loss):		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period, net of tax of $425 and ($523)	662	(922)
Reclassification adjustment for gains included in net income, net of tax of $0 and ($512)	-	(798)
Net unrealized gains (losses)	662	(1,720)
Unfunded pension liability adjustment, net of tax of $72 and $0	113	-
Total Comprehensive Income	$ 19,240	$ 18,136

The accompanying notes are an integral part of these statements.

IDACORP, Inc.
Condensed Consolidated Statements of Comprehensive Income
(unaudited)

	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
	(thousands of dollars)	
Net Income	$ 43,113	$ 45,332
Other Comprehensive Income (Loss):		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period, net of tax of $304 and ($65)	473	(248)
Reclassification adjustment for gains included in net income, net of tax of ($561) and ($730)	(874)	(1,138)
Net unrealized gains (losses)	(401)	(1,386)
Unfunded pension liability adjustment, net of tax of $145 and $0	225	-
Total Comprehensive Income	$ 42,937	$ 43,946

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Statements of Income
(unaudited)

	Three Months Ended June 30, 2007	2006
	(thousands of dollars)	
Operating Revenues:		
General business	$ 162,212	$ 159,210
Off-system sales	37,177	75,598
Other revenues	13,137	6,040
Total operating revenues	212,526	240,848
Operating Expenses:		
Operation:		
Purchased power	80,467	74,808
Fuel expense	27,520	21,954
Power cost adjustment	(42,172)	4,600
Other	55,242	48,200
Demand-side management	2,548	-
Gain on sale of emission allowances	(882)	(8,126)
Maintenance	23,646	21,640
Depreciation	25,613	24,633
Taxes other than income taxes	4,636	6,329
Total operating expenses	176,618	194,038
Income from Operations	35,908	46,810
Other Income (Expense):		
Allowance for equity funds used during construction	1,374	1,646
Earnings of unconsolidated equity-method investments	544	491
Other income	2,155	3,030
Other expense	(1,558)	(2,580)
Total other income	2,515	2,587
Interest Charges:		
Interest on long-term debt	13,387	13,531
Other interest	2,484	1,358
Allowance for borrowed funds used during construction	(1,915)	(941)
Total interest charges	13,956	13,948
Income Before Income Taxes	24,467	35,449
Income Tax Expense	8,303	13,837
Net Income	$ 16,164	$ 21,612

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Statements of Income
(unaudited)

	Six Months Ended June 30,			
	2007		2006	
	(thousands of dollars)			
Operating Revenues:				
General business	$	299,463	$	321,393
Off-system sales		95,016		179,839
Other revenues		23,976		6,890
Total operating revenues		418,455		508,122
Operating Expenses:				
Operation:				
Purchased power		131,285		130,733
Fuel expense		58,432		48,923
Power cost adjustment		(63,708)		48,067
Other		107,447		96,079
Demand-side management		4,663		-
Gain on sale of emission allowances		(882)		(8,235)
Maintenance		39,268		35,434
Depreciation		50,903		49,182
Taxes other than income taxes		9,554		11,900
Total operating expenses		336,962		412,083
Income from Operations		81,493		96,039
Other Income (Expense):				
Allowance for equity funds used during construction		2,778		3,110
Earnings of unconsolidated equity-method investments		2,079		3,804
Other income		5,858		5,916
Other expense		(4,432)		(4,257)
Total other income		6,283		8,573
Interest Charges:				
Interest on long-term debt		26,471		26,931
Other interest		4,658		2,464
Allowance for borrowed funds used during construction		(3,454)		(1,786)
Total interest charges		27,675		27,609
Income Before Income Taxes		60,101		77,003
Income Tax Expense		20,606		30,370
Net Income	$	39,495	$	46,633

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Balance Sheets
(unaudited)

Assets	June 30, 2007	December 31, 2006
	(thousands of dollars)	
Electric Plant:		
In service (at original cost)	$ 3,651,623	$ 3,583,694
Accumulated provision for depreciation	(1,446,131)	(1,406,210)
In service - net	2,205,492	2,177,484
Construction work in progress	264,585	210,094
Held for future use	3,137	2,810
Electric plant - net	2,473,214	2,390,388
Investments and Other Property	96,117	91,244
Current Assets:		
Cash and cash equivalents	3,719	2,404
Receivables:		
Customer	57,273	54,218
Allowance for uncollectible accounts	(887)	(968)
Notes	448	514
Employee notes	2,338	2,569
Other	6,776	10,592
Accrued unbilled revenues	42,823	31,365
Materials and supplies (at average cost)	42,370	39,078
Fuel stock (at average cost)	15,902	15,174
Prepayments	7,861	8,952
Taxes receivable	426	-
Deferred income taxes	3,899	-
Regulatory assets	1,309	1,480
Other	342	-
Total current assets	184,599	165,378
Deferred Debits:		
American Falls and Milner water rights	30,022	30,543
Company-owned life insurance	32,604	34,055
Regulatory assets	426,398	423,548
Employee notes	2,310	2,411
Other	42,002	40,158
Total deferred debits	533,336	530,715
Total	$ 3,287,266	$ 3,177,725

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Balance Sheets
(unaudited)

Capitalization and Liabilities	June 30, 2007	December 31, 2006
	(thousands of dollars)	
Capitalization:		
Common stock equity:		
Common stock, $2.50 par value (50,000,000 shares authorized; 39,150,812 shares outstanding)	$ 97,877	$ 97,877
Premium on capital stock	530,758	530,758
Capital stock expense	(2,097)	(2,097)
Retained earnings	432,495	404,076
Accumulated other comprehensive loss	(5,913)	(5,737)
Total common stock equity	1,053,120	1,024,877
Long-term debt	1,041,656	902,884
Total capitalization	2,094,776	1,927,761
Current Liabilities:		
Long-term debt due within one year	81,064	81,064
Notes payable	22,000	52,200
Accounts payable	85,054	85,714
Notes and accounts payable to related parties	1,778	1,111
Taxes accrued	-	41,688
Interest accrued	18,608	12,324
Deferred income taxes	-	17
Other	54,663	24,367
Total current liabilities	263,167	298,485
Deferred Credits:		
Deferred income taxes	464,522	489,234
Regulatory liabilities	278,597	294,844
Other	186,204	167,401
Total deferred credits	929,323	951,479
Commitments and Contingencies (Note 5)		
Total	$ 3,287,266	$ 3,177,725

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Statements of Capitalization
(unaudited)

	June 30, 2007	%	December 31, 2006	%
	(thousands of dollars)			
Common Stock Equity:				
Common stock	$ 97,877		$ 97,877	
Premium on capital stock	530,758		530,758	
Capital stock expense	(2,097)		(2,097)	
Retained earnings	432,495		404,076	
Accumulated other comprehensive loss	(5,913)		(5,737)	
Total common stock equity	1,053,120	50	1,024,877	53
Long-Term Debt:				
First mortgage bonds:				
7.38% Series due 2007	80,000		80,000	
7.20% Series due 2009	80,000		80,000	
6.60% Series due 2011	120,000		120,000	
4.75% Series due 2012	100,000		100,000	
4.25% Series due 2013	70,000		70,000	
6 % Series due 2032	100,000		100,000	
5.50% Series due 2033	70,000		70,000	
5.50% Series due 2034	50,000		50,000	
5.875% Series due 2034	55,000		55,000	
5.30% Series due 2035	60,000		60,000	
6.30% Series due 2037	140,000		-	
Total first mortgage bonds	925,000		785,000	
Amount due within one year	(80,000)		(80,000)	
Net first mortgage bonds	845,000		705,000	
Pollution control revenue bonds:				
Variable Auction Rate Series 2003 due 2024	49,800		49,800	
Variable Auction Rate Series 2006 due 2026	116,300		116,300	
Variable Rate Series 2000 due 2027	4,360		4,360	
Total pollution control revenue bonds	170,460		170,460	
American Falls bond guarantee	19,885		19,885	
Milner Dam note guarantee	10,636		11,700	
Note guarantee due within one year	(1,064)		(1,064)	
Unamortized premium/discount - net	(3,261)		(3,097)	
Total long-term debt	1,041,656	50	902,884	47
Total Capitalization	$ 2,094,776	100	$ 1,927,761	100

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Statements of Cash Flows
(unaudited)

	Six Months Ended June 30,	
	2007	**2006**
	(thousands of dollars)	
Operating Activities:		
Net income	$ 39,495	$ 46,633
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	54,487	50,891
Deferred income taxes and investment tax credits	16,671	(34,564)
Changes in regulatory assets and liabilities	(65,257)	61,143
Undistributed earnings of subsidiary	(2,079)	(3,804)
Gain on sale of assets	(2,519)	(7,800)
Other non-cash adjustments to net income	3,008	(3,242)
Change in:		
Accounts receivables and prepayments	(4,843)	4,954
Accounts payable	(2,239)	(9,624)
Taxes accrued	(1,094)	9,628
Other current assets	(15,478)	(8,402)
Other current liabilities	11,141	10,837
Other assets	524	(2,082)
Other liabilities	8,943	1,412
Net cash provided by operating activities	40,760	115,980
Investing Activities:		
Additions to utility plant	(121,673)	(101,149)
Purchase of available-for-sale securities	(24,349)	(9,428)
Proceeds from the sale of available-for-sale securities	25,296	10,607
Proceeds from the sale of emission allowances	2,685	10,865
Investments in unconsolidated affiliate	(3,600)	(11,520)
Other assets	1,378	873
Net cash used in investing activities	(120,263)	(99,752)
Financing Activities:		
Issuance of long-term debt	140,000	-
Retirement of long-term debt	(1,064)	-
Dividends on common stock	(26,212)	(25,487)
Net change in short term borrowings	(30,200)	-
Other	(1,706)	25
Net cash provided by (used in) financing activities	80,818	(25,462)
Net increase (decrease) in cash and cash equivalents	1,315	(9,234)
Cash and cash equivalents at beginning of period	2,404	49,335
Cash and cash equivalents at end of period	$ 3,719	$ 40,101
Supplemental Disclosure of Cash Flow Information:		

Cash paid during the period for:				
Income taxes paid to parent	$	6,236	$	56,717
Interest (net of amount capitalized)	$	26,493	$	26,357
Non-cash investing activities:				
Additions to utility plant in accounts payable	$	9,878	$	9,481

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Statements of Comprehensive Income
(unaudited)

	Three Months Ended June 30,	
	2007	**2006**
	(thousands of dollars)	
Net Income	$ 16,164	$ 21,612
Other Comprehensive Income (Loss):		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period, net of tax of $425 and ($523)	662	(922)
Reclassification adjustment for gains included in net income, net of tax of $0 and ($512)	-	(798)
Net unrealized gains (losses)	662	(1,720)
Unfunded pension liability adjustment, net of tax of $72 and $0	113	-
Total Comprehensive Income	$ 16,939	$ 19,892

The accompanying notes are an integral part of these statements.

Idaho Power Company
Condensed Consolidated Statements of Comprehensive Income
(unaudited)

	Six Months Ended June 30,	
	2007	**2006**
	(thousands of dollars)	
Net Income	$ 39,495	$ 46,633
Other Comprehensive Income (Loss):		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period, net of tax of $304 and ($65)	473	(248)
Reclassification adjustment for gains included in net income, net of tax of ($561) and ($730)	(874)	(1,138)
Net unrealized gains (losses)	(401)	(1,386)
Unfunded pension liability adjustment, net of tax of $145 and $0	225	-
Total Comprehensive Income	$ 39,319	$ 45,247

The accompanying notes are an integral part of these statements.

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IDACORP, INC. AND IDAHO POWER COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This Quarterly Report on Form 10-Q is a combined report of IDACORP, Inc. (IDACORP) and Idaho Power Company (IPC). These Notes to Condensed Consolidated Financial Statements apply to both IDACORP and IPC. However, IPC makes no representation as to the information relating to IDACORP's other operations.

Nature of Business
IDACORP is a holding company formed in 1998 whose principal operating subsidiary is IPC. IDACORP is subject to the provisions of the Public Utility Holding Company Act of 2005, which provides certain access to books and records to the Federal Energy Regulatory Commission (FERC) and state utility regulatory commissions and imposes certain record retention and reporting requirements on IDACORP.

IPC is an electric utility with a service territory covering approximately 24,000 square miles in southern Idaho and eastern Oregon. IPC is regulated by the FERC and the state regulatory commissions of Idaho and Oregon. IPC is the parent of Idaho Energy Resources Co., a joint venturer in Bridger Coal Company, which supplies coal to the Jim Bridger generating plant owned in part by IPC.

IDACORP's other subsidiaries include:

- IDACORP Financial Services, Inc. (IFS), an investor in affordable housing and other real estate investments;
- Ida-West Energy Company (Ida-West), an operator of small hydroelectric generation projects that satisfy the requirements of the Public Utility Regulatory Policies Act of 1978 (PURPA); and
- IDACORP Energy (IE), a marketer of energy commodities, which wound down operations in 2003.

On July 20, 2006, IDACORP completed the sale of all of the outstanding common stock of IDACORP Technologies, Inc. (ITI) to IdaTech UK Limited, a wholly-owned subsidiary of Investec Group Investments (UK) Limited. On February 23, 2007, IDACORP completed the sale of all of the outstanding common stock of IDACOMM, Inc. (IDACOMM) to American Fiber Systems, Inc. The results of operations of ITI and IDACOMM are reported as discontinued operations. See Note 9 for further discussion of discontinued operations.

Principles of Consolidation
The condensed consolidated financial statements of IDACORP and IPC include the accounts of each company, consolidated subsidiaries, and those variable interest entities (VIEs) for which IDACORP and IPC are the primary beneficiaries. All significant intercompany balances have been eliminated in consolidation. Investments in business entities in which IDACORP and IPC are not the primary beneficiaries, but have the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method.

Through IFS, IDACORP also holds significant variable interests in VIEs for which it is not the primary beneficiary. These VIEs are historic rehabilitation and affordable housing developments in which IFS holds limited partnership interests ranging up to 99 percent. These investments were acquired between 1996 and 2006. IFS' maximum exposure to loss in these developments was $84 million at June 30, 2007.

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Financial Statements
In the opinion of IDACORP and IPC, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly their consolidated financial positions as of June 30, 2007, and consolidated results of operations for the three and six months ended June 30, 2007 and 2006, and consolidated cash flows for the six months ended June 30, 2007 and 2006. These adjustments are of a normal and recurring nature. These financial statements do not contain the complete detail or footnote disclosure concerning accounting policies and other matters that would be included in full-year financial statements and therefore they should be read in conjunction with the audited consolidated financial statements included in IDACORP's and IPC's Annual Report on Form 10-K for the year ended December 31, 2006. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

Earnings Per Share
The following table presents the computation of IDACORP's basic and diluted earnings per share from continuing operations for the three and six months ended June 30, 2007 and 2006 (in thousands, except for per share amounts):

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Numerator:				
Income from continuing operations	$ 18,465	$ 22,673	$ 43,046	$ 49,628
Denominator:				
Weighted-average common shares outstanding - basic*	43,751	42,557	43,709	42,515
Effect of dilutive securities:				
Options	38	90	44	83
Restricted Stock	95	55	92	44
Weighted-average common shares outstanding - diluted*	43,884	42,702	43,845	42,642
Basic earnings per share from continuing operations	$ 0.42	$ 0.53	$ 0.99	$ 1.17
Diluted earnings per share from continuing operations	$ 0.42	$ 0.53	$ 0.98	$ 1.16

*Weighted average shares outstanding excludes non-vested shares issued under stock compensation plans.
The diluted EPS computation excluded 486,800 and 487,400 common stock options for the three and six months ended June 30, 2007, respectively, because the options' exercise prices were greater than the average market price of the common stock during those periods. For the same periods in 2006, there were 653,200 options excluded from the diluted EPS computation for the same reason. In total, 833,102 options were outstanding at June 30, 2007, with expiration dates between 2010 and 2015.

Reclassifications
Certain prior year amounts have been reclassified to conform to the current year presentation. Net income and shareholders' equity were not affected by these reclassifications.

New Accounting Pronouncements

SFAS 157: In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, "*Fair Value Measurements*" (SFAS 157), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. IDACORP and IPC are currently evaluating the impact of adopting SFAS 157 on their financial statements.

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SFAS 159: In February 2007, the FASB issued SFAS No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115"* (SFAS 159). This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. Most of the provisions in SFAS 159 are elective; however, the amendment to SFAS No. 115, *"Accounting for Certain Investments in Debt and Equity Securities,"* applies to all entities with available-for-sale and trading securities. The fair value option established by SFAS 159 permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The fair value option: (a) may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method; (b) is irrevocable (unless a new election date occurs); and (c) is applied only to entire instruments and not to portions of instruments. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of SFAS 157. IDACORP and IPC did not elect to adopt early and are currently evaluating the impact of SFAS 159 on their financial statements.

FSP FIN 39-1: In April 2007 the FASB issued FASB Staff Position No. FIN 39-1 (FSP FIN 39-1), "*Amendment of FASB Interpretation No. 39"* (FIN 39). FSP FIN 39-1 modifies FIN 39, "*Offsetting of Amounts Related to Certain Contracts*," and permits reporting entities to offset receivables or payables recognized upon payment or receipt of cash collateral against fair value amounts recognized for derivative instruments that have been offset under a master netting arrangement. FSP FIN 39-1 requires disclosure of a reporting entity's accounting policy (to offset or not offset) as well as amounts recognized for the right to reclaim cash collateral, or the obligation to return cash collateral, that have been offset against net derivative positions. FSP FIN 39-1 is effective for fiscal years beginning after November 15, 2007. IDACORP and IPC are evaluating the application of FSP FIN 39-1 with respect to its assets and liabilities.

2. INCOME TAXES:

Income tax rate

In accordance with interim reporting requirements, IDACORP and IPC use an estimated annual effective tax rate for computing their provisions for income taxes. IDACORP's effective rate on continuing operations for the six months ended June 30, 2007, was 16.2 percent, compared to 23.6 percent for the six months ended June 30, 2006. IPC's effective tax rate for the six months ended June 30, 2007, was 34.3 percent, compared to 39.4 percent for the six months ended June 30, 2006.

The differences in estimated annual effective tax rates are primarily due to the decrease in pre-tax earnings at IDACORP and IPC, timing and amount of IPC's regulatory flow-through tax adjustments, and lower tax credits from IFS.

FIN 48

IDACORP and IPC adopted FASB Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*" (FIN 48) on January 1, 2007, as required. IPC recorded an increase of $15.1 million to opening retained earnings for the cumulative effect of adopting FIN 48.

IDACORP and IPC recognize interest accrued related to unrecognized tax benefits as interest expense and penalties as other expense. FIN 48 allows companies to change their accounting policy election for interest and penalties upon adoption of the standard. IDACORP and IPC had classified interest as income taxes prior to the adoption of FIN 48. As of January 1, 2007, IPC had accrued interest of $6.5 million. The interest liability did not materially change as of June 30, 2007. No penalties are accrued.

As of January 1, 2007, IPC had total unrecognized tax benefits of $21.2 million. If recognized, the $21.2 million would affect IPC's effective tax rate. The amount of unrecognized tax benefits did not materially change as of June 30, 2007.

IPC is currently disputing the Internal Revenue Service's (IRS) disallowance of IPC's use of the simplified service cost method of uniform capitalization for tax years 2001-2003. The dispute is under review with the IRS Appeals Office, and it is reasonably possible that the matter will be resolved in 2007. Resolution would result in a decrease to IPC's unrecognized tax benefits of $17.4 million. As of June 30, 2007, the appeals conference had not been scheduled.

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IDACORP and IPC are subject to examination by their major tax jurisdictions - U.S. federal and state of Idaho - for tax years 2004 through 2006. There are no income tax examinations currently in process.

3. COMMON STOCK AND STOCK-BASED COMPENSATION:

During the six months ended June 30, 2007, IDACORP entered into the following transactions involving its common stock:

- 16,222 original issue shares and 75,256 treasury shares were used for awards pursuant to the 2000 Long-Term Incentive and Compensation Plan.
- 10,820 treasury shares were used for the annual stock grant to directors under the Non-Employee Directors Stock Compensation Plan.
- A total of 128,463 original issue shares were issued under the Dividend Reinvestment and Stock Purchase Plan and the Employee Savings Plan.
- 254,500 original issue shares were issued in at the market offerings at an average price of $31.91 per share under the Continuous Equity Program. An additional 245,500 shares were issued in July 2007 at an average price of $32.23.

IDACORP has three share-based compensation plans. IDACORP's employee plans are the 2000 Long-Term Incentive and Compensation Plan (LTICP) and the Restricted Stock Plan (RSP). These plans are intended to align employee and shareholder objectives related to IDACORP's long-term growth. IDACORP also has one non-employee plan, the Non-Employee Directors Stock Compensation Plan (DSP). The purpose of the DSP is to increase directors' stock ownership through stock-based compensation.

The LTICP for officers, key employees and directors permits the grant of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares and other awards. The RSP permits only the grant of restricted stock or performance-based restricted stock. At June 30, 2007, the maximum number of shares available under the LTICP and RSP were 1,606,555 and 108,595, respectively. The following table shows the compensation cost recognized in income and the tax benefits resulting from these plans, as well as the amounts allocated to IPC for those costs associated with IPC's employees (in thousands of dollars):

	IDACORP Six months ended June 30,		IPC Six months ended June 30,	
	2007	2006	2007	2006
Compensation cost	$ 1,556	$ 1,220	$ 996	$ 477
Income tax benefit	$ 608	$ 477	$ 390	$ 186

No equity compensation costs have been capitalized.

Stock awards: Restricted stock awards have vesting periods of up to four years. Restricted stock awards entitle the recipients to dividends and voting rights, and unvested shares are restricted as to disposition and subject to forfeiture under certain circumstances. The fair value of restricted stock awards is measured based on the market price of the underlying common stock on the date of grant and charged to compensation expense over the vesting period based on the number of shares expected to vest. The weighted average fair value at date of grant for restricted stock awards granted during the first six months of 2007 was $35.18.

Performance-based restricted stock awards have vesting periods of three years. Performance awards entitle the recipients to voting rights, and unvested shares are restricted as to disposition, subject to forfeiture under certain circumstances, and subject to meeting specific performance conditions. Based on the attainment of the performance conditions, the ultimate award can range from zero to 150 percent of the target award. For unvested awards granted prior to 2006, dividends are paid to recipients at the same time they are paid to other common shareholders. Beginning with the 2006 awards, dividends are accrued and will be paid out only on shares that eventually vest.

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The performance goals for the 2006 and 2007 awards are independent of each other and equally weighted, and are based on two metrics, cumulative earnings per share (CEPS) and total shareholder return (TSR) relative to a peer group. The fair value of the CEPS portion is based on the market value at the date of grant, reduced by the loss in time-value of the estimated future dividend payments, using an expected quarterly dividend of $0.30. The fair value of the TSR portion is estimated using a statistical model that incorporates the probability of meeting performance targets based on historical returns relative to the peer group. Both performance goals are measured over the three-year vesting period and are charged to compensation expense over the vesting period based on the number of shares expected to vest. The weighted average fair value at date of grant for CEPS and TSR awards granted during the first six months of 2007 was $25.82.

Stock options: Stock option awards are granted with exercise prices equal to the market value of the stock on the date of grant. The options have a term of 10 years from the grant date and vest over a five-year period. Upon adoption of SFAS 123(R) on January 1, 2006, the fair value of each option is amortized into compensation expense using graded vesting. Beginning in 2006, stock options are not a significant component of share-based compensation awards under the LTICP.

4. FINANCING:

Long-term Financing

On June 22, 2007, IPC issued $140 million of its 6.30% First Mortgage Bonds, Secured Medium-Term Notes, Series F, due June 15, 2037. IPC used the net proceeds to pay down outstanding commercial paper. IPC currently has in place a registration statement that can be used for the issuance of an aggregate principal amount of $100 million of first mortgage bonds (including medium-term notes).

Credit Facilities

On April 25, 2007, IDACORP entered into an Amended and Restated Credit Agreement (IDACORP Facility) with Wachovia Bank, National Association, as administrative agent, swingline lender and LC issuer, JPMorgan Chase Bank, N.A., as syndication agent, Keybank National Association, Wells Fargo Bank, N.A. and Bank of America, N.A., as documentation agents, Wachovia Capital Markets, LLC and J.P. Morgan Securities Inc., as joint lead arrangers and joint book runners, and the other financial institutions party thereto, as lenders. The IDACORP Facility amended and restated a $150 million five-year facility that would have expired on March 31, 2010.

The IDACORP Facility is a $100 million five-year credit agreement that terminates on April 25, 2012. The IDACORP Facility, which will be used for general corporate purposes and commercial paper backup, provides for the issuance of loans and standby letters of credit not to exceed the aggregate principal amount of $100 million, including swingline loans in an aggregate principal amount at any time outstanding not to exceed $10 million. IDACORP has the right to request an increase in the aggregate principal amount of the IDACORP Facility to $150 million and to request one-year extensions of the then existing termination date. At June 30, 2007, no loans were outstanding on IDACORP's Facility and $65 million of commercial paper was outstanding.

On April 25, 2007, IPC entered into an Amended and Restated Credit Agreement (IPC Facility) with Wachovia Bank, National Association, as administrative agent, swingline lender and LC issuer, JPMorgan Chase Bank, N.A., as syndication agent, Keybank National Association, US Bank National Association and Bank of America, N.A., as documentation agents, Wachovia Capital Markets, LLC and J.P. Morgan Securities Inc., as joint lead arrangers and joint book runners, and the other financial institutions party thereto, as lenders. The IPC Facility amended and restated a $200 million five-year credit facility that would have expired on March 31, 2010.

The IPC Facility is a $300 million five-year credit agreement that terminates on April 25, 2012. The IPC Facility, which will be used for general corporate purposes and commercial paper backup, provides for the issuance of loans and standby letters of credit not to exceed the aggregate principal amount of $300 million, including swingline loans in an aggregate principal amount at any time outstanding not to exceed $30 million. IPC has the right to request an increase in the aggregate principal amount of the IPC Facility to $450 million and to request one-year extensions of the then existing termination date. At June 30, 2007, no loans were outstanding on IPC's Facility and $22 million of commercial paper was outstanding.

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At June 30, 2007, IPC had regulatory authority to incur up to $450 million of short-term indebtedness.

5. COMMITMENTS AND CONTINGENCIES:

Guarantees
IPC has agreed to guarantee one-third of the cost of the performance of reclamation activities at Bridger Coal Company, of which Idaho Energy Resources Co., a subsidiary of IPC, owns a one-third interest. This guarantee, which is renewed each December, was $60 million at June 30, 2007. Bridger Coal has a reclamation trust fund set aside specifically for the purpose of paying these reclamation costs and expects that the fund will be sufficient to cover all such costs. Because of the existence of the fund, the estimated fair value of this guarantee is minimal.

Legal Proceedings
Reference is made to IDACORP's and IPC's Annual Report on Form 10-K for the year ended December 31, 2006, and Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, for a discussion of all material pending legal proceedings to which IDACORP and IPC and their subsidiaries are parties. The following discussion provides a summary of material developments that occurred in those proceedings during the period covered by this report and of any new material proceedings instituted during the period covered by this report.

Wah Chang: Wah Chang's appeal to the U.S. Court of Appeals for the Ninth Circuit of the February 11, 2005 dismissal of the case by the Honorable Robert H. Whaley, sitting by designation in the U.S. District Court for the Southern District of California, was orally argued on April 10, 2007. The matter now awaits decision by the Ninth Circuit. IDACORP, IPC and IE intend to vigorously defend their position in this proceeding and believe this matter will not have a material adverse effect on their consolidated financial positions, results of operations or cash flows.

Western Energy Proceedings at the FERC:
California Refund: In April 2001, the FERC issued an order stating that it was establishing a price mitigation plan for sales in the California wholesale electricity market. That plan included the potential for orders directing electricity sellers into California from October 2, 2000, through June 20, 2001, to refund portions of their spot market sales prices if the FERC determined that those prices were not just and reasonable, and therefore not in compliance with the Federal Power Act. On July 25, 2001, the FERC issued an order initiating the California Refund proceeding including evidentiary hearings to determine the scope and methodology for determining refunds. On February 17, 2006, IE and IPC jointly filed with the California Parties (Pacific Gas & Electric Company, San Diego Gas & Electric Company, Southern California Edison, the California Public Utilities Commission, the California Electricity Oversight Board, the California Department of Water Resources and the California Attorney General) an Offer of Settlement at the FERC. A number of other parties, representing substantially less than the majority of potential refund claims, chose to opt out of the Settlement. After consideration of comments, the FERC approved the Offer of Settlement on May 22, 2006.

On June 21, 2006, the Port of Seattle, Washington filed a request for rehearing of the FERC order approving the Settlement. The FERC issued an order on October 5, 2006, denying the Port of Seattle's request for rehearing. On October 24, 2006, the Port of Seattle petitioned the U.S. Court of Appeals for the Ninth Circuit for review of the

FERC orders approving the Settlement. The Ninth Circuit consolidated that review petition with the large number of review petitions already consolidated before it and has stayed further action on the consolidated cases while the court's mediator and FERC representatives work on achieving settlements with other parties. On January 23, 2007, IPC and IE filed a motion to sever the Port of Seattle's petition for review from the bulk of cases pending in the Ninth Circuit with which it had been consolidated. IPC and IE also filed a motion to dismiss the Port of Seattle's petition for review. On April 11, 2007, the Ninth Circuit filed an order denying IPC's and IE's motion to sever. The motion to dismiss was denied without prejudice to renew when briefs are filed. IPC and IE are unable to predict when or how the Ninth Circuit might rule on Port of Seattle's petition for review.

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Market Manipulation: As part of the California and Pacific Northwest Refund proceedings, on November 20, 2002, the FERC issued an order permitting discovery and the submission of evidence regarding market manipulation by sellers during the western energy crisis of 2000 and 2001. On June 25, 2003, the FERC ordered a large number of parties, including IPC, to show cause why certain trading practices did not constitute "gaming" or anomalous market behavior ("partnership") in violation of the California Independent System Operator and California Power Exchange Tariffs. On October 16, 2003, IPC reached agreement with the FERC Staff on the show cause orders. The "gaming" settlement was approved by the FERC on March 3, 2004. Originally, eight parties sought rehearing of the "gaming" settlement. The FERC approved the motion to dismiss the "partnership" proceeding on January 23, 2004.

On October 11, 2006, the FERC issued an order denying rehearing of its earlier approval of the "gaming" settlement. On October 24, 2006, the Port of Seattle, Washington appealed to the U.S. Court of Appeals for the Ninth Circuit FERC's denial of its request for rehearing of its order granting approval of the settlement of the gaming allegations against IE and IPC. On November 17, 2006, the Ninth Circuit consolidated the Port of Seattle's review petition with a large number of review petitions previously consolidated and has stayed further action on the consolidated cases while the court's mediator and FERC representatives work on achieving settlements with other parties.

In addition, a number of parties have petitioned the Ninth Circuit Court of Appeals contending that the scope of the show cause proceedings was too narrow, but those petitions have been stayed. IE and IPC are unable to predict the outcome of these matters.

Pacific Northwest Refund: On June 19, 2001, the FERC expanded its price mitigation plan for the California Wholesale electricity market discussed above under "California Refund" to the entire western electrically interconnected system. This expansion led to the Pacific Northwest Refund proceeding. On September 24, 2001, the FERC Administrative Law Judge submitted recommendations and findings to the FERC, finding that prices in the Pacific Northwest during the December 25, 2000, through June 20, 2001, time period should be governed by the Mobile-Sierra standard of public interest rather than the just and reasonable standard, that the Pacific Northwest spot markets were competitive, and that no refunds should be allowed. The FERC declined to order refunds on June 25, 2003, and multiple parties then appealed to the Ninth Circuit Court of Appeals. IE and IPC were parties in the FERC proceeding and are participating in the appeal. Briefing on the appeal was completed on May 25, 2005, and oral argument was held on January 8, 2007. The Settlement in the California Refund proceeding resolves all claims the California Parties have against IE and IPC in the Pacific Northwest proceeding. IE and IPC are unable to predict the outcome of these matters.

There are pending in the U.S. Court of Appeals for the Ninth Circuit approximately 200 petitions for review of numerous FERC orders regarding the Western energy matters of 2000 and 2001, including the California refund proceeding, the structure and content of the FERC's market-based rate regime, show cause orders respecting contentions of market manipulation, and the Pacific Northwest proceedings. Decisions in any one of these appeals may have implications with respect to other pending cases, including those to which IDACORP, IPC or IE are parties. IDACORP, IPC and IE are unable to predict the outcome of any of these petitions for review.

Shareholder Lawsuit: On May 26, 2004 and June 22, 2004, two shareholder lawsuits were filed in the U.S. District Court for the District of Idaho against IDACORP and certain of its directors and officers. The lawsuits captioned

Powell, et al. v. IDACORP, Inc., et al. and Shorthouse, et al. v. IDACORP, Inc., et al., raised largely similar allegations. The lawsuits were putative class actions brought on behalf of purchasers of IDACORP stock between February 1, 2002, and June 4, 2002.

On May 21, 2007, the U.S. District Court for the District of Idaho granted the defendants' motion to dismiss the amended complaint because it failed to satisfy the pleading requirements for loss causation. The court also denied the plaintiffs' request to further amend the complaint.

On June 19, 2007, the plaintiffs filed a notice of appeal from the District Court's judgment to the United States Court of Appeals for the Ninth Circuit. IDACORP and the other defendants intend to defend themselves vigorously, but IDACORP is unable to predict the outcome of this matter.

Western Shoshone National Council: On April 10, 2006, the Western Shoshone National Council (which purports to be the governing body of the Western Shoshone Nation) and certain of its individual tribal members filed a First Amended Complaint and Demand for Jury Trial in the U.S. District Court for the District of Nevada, naming IPC and other unrelated entities as defendants.

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On May 1, 2006, the defendants filed an Answer to plaintiffs' First Amended Complaint denying all liability to the plaintiffs and asserting certain affirmative defenses including collateral estoppel and res judicata, preemption, impossibility and impracticability, failure to join all real and necessary parties, and various defenses based on untimeliness. On June 19, 2006, the defendants filed a motion to dismiss plaintiffs' First Amended Complaint, asserting, among other things, that the Court lacks subject matter jurisdiction and that plaintiffs failed to join an indispensable party (namely, the United States government). On May 31, 2007, the U.S. District Court granted the defendants' motion to dismiss stating that the plaintiffs' claims are barred by the finality provision of the Indian Claims Commission Act. On June 8, 2007, plaintiffs filed a motion for reconsideration. On June 25, 2007, the defendants filed an opposition to plaintiffs' motion for reconsideration and plaintiffs filed their reply to opposition to motion for reconsideration on July 9, 2007. The matter is now fully briefed and submitted to the District Court for decision. IPC intends to vigorously defend its position in this proceeding, but is unable to predict the outcome of this matter.

Sierra Club Lawsuit-Bridger: In February 2007, the Sierra Club and the Wyoming Outdoor Council filed a complaint against PacifiCorp in federal district court in Cheyenne, Wyoming alleging violations of air quality opacity standards at the Jim Bridger coal-fired plant (Plant) in Sweetwater County, Wyoming. Opacity is an indication of the amount of light obscured in the flue gas of a power plant. A formal answer to the complaint was filed by PacifiCorp on April 2, 2007, in which PacifiCorp denied almost all of the allegations and asserted a number of affirmative defenses. IPC is not a party to this proceeding but has a one-third ownership interest in the Plant. PacifiCorp owns a two-thirds interest and is the operator of the Plant. The complaint alleges thousands of opacity permit limit violations by PacifiCorp and seeks a declaration that PacifiCorp has violated opacity limits, a permanent injunction ordering PacifiCorp to comply with such limits, civil penalties of up to $32,500 per day per violation and reimbursement of the plaintiff's costs of litigation, including reasonable attorney fees.

The U.S. District Court has set this matter for trial commencing in April 2008. Discovery in the matter is ongoing. IPC continues to monitor the status of this matter but is unable to predict its outcome and what effect this matter may have on its consolidated financial position, results of operations or cash flows.

Snake River Basin Adjudication: IPC is engaged in the Snake River Basin Adjudication (SRBA), a general stream adjudication, commenced in 1987, to define the nature and extent of water rights in the Snake River basin in Idaho, including the water rights of IPC. The initiation of the SRBA resulted from the Swan Falls Agreement, an agreement entered into by IPC and the Governor and Attorney General of Idaho in October 1984 to resolve litigation relating to IPC's water rights at its Swan Falls project. IPC has filed claims to its water rights for hydropower and other uses in the SRBA. Other water users in the basin have also filed claims to water rights. Parties to the SRBA may file objections to water right claims that adversely affect or injure their claimed water rights and the Idaho District Court for the Fifth Judicial District, which has jurisdiction over SRBA matters (SRBA Court) then adjudicates the claims and objections and enters a decree defining a party's water right. IPC has filed claims for all of its hydropower water rights in the SRBA, is actively protecting those water rights, and is objecting to claims that may potentially injure or affect those water rights. One such claim involves a notice of claim of ownership filed on December 22, 2006, by the State of Idaho, for a portion of the water rights held by IPC that are subject to the Swan Falls Agreement.

On May 10, 2007, in order to protect its claims and the availability of water for power purposes at its facilities, and in response to the claim of ownership filed by the State, IPC filed a complaint and petition for declaratory and injunctive relief regarding the status and nature of IPC's water rights and the respective rights and responsibilities of the parties

under the Swan Falls Agreement.

In conjunction with the filing of the complaint and petition, IPC filed motions with the court to stay all pending proceedings involving the water rights of IPC and to consolidate those proceedings into a single action where all issues relating to the Swan Falls Agreement can be determined.

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IPC alleged in the complaint, among other things, that contrary to the parties' belief at the time the Swan Falls Agreement was entered into in 1984, the Snake River basin above Swan Falls was over-appropriated and as a consequence there was not in 1984, and there currently is not, water available for new upstream uses over and above the minimum flows established by the Swan Falls Agreement; that because of this mutual mistake of fact relating to the over-appropriation of the basin, the Swan Falls Agreement should be reformed; that the State's December 22, 2006, claim of ownership to IPC's water rights should be denied; and that the Swan Falls Agreement did not subordinate IPC's water rights to aquifer recharge.

On May 30, 2007, the State filed motions to dismiss IPC's complaint and petition. These motions were briefed and, together with IPC's motions to stay and consolidate the proceedings, were argued before the Court on June 25, 2007.

On July 23, 2007, the court issued an Order granting in part and denying in part the State's motion to dismiss, consolidating the issues into a consolidated sub case before the court, providing for discovery during the objection period and setting a scheduling conference for December 17, 2007. In its Order, the court denied the majority of the State's motion to dismiss, refusing to dismiss the complaint and finding that the court has jurisdiction to hear and determine virtually all the issues raised by IPC's complaint that relate to IPC's water rights and the effect of the Swan Falls Agreement upon those water rights. This includes the issues of ownership, whether IPC's water rights are subordinated to recharge and how those water rights are to be administered relative to other water rights on the same or connected resources. The court did find that by virtue of a state statute the IDWR, and its director, could not be parties to the SRBA and therefore stayed IPC's claims against the IDWR and its director pending resolution of the issues to be litigated in the SRBA, or until further order of the court.

Consistent with IPC's motion to consolidate and stay proceedings, the court consolidated all of the issues associated with IPC's water rights before the court and stayed that proceeding to allow other parties that may be affected by the litigation to file responses or intervene in the consolidated proceedings by December 5, 2007. IPC is unable to predict the outcome of the consolidated proceedings. For further discussion of Idaho Water Management Issues, see Part I, Item 2 - "MD&A - LEGAL AND ENVIRONMENTAL ISSUES."

6. REGULATORY MATTERS:

Deferred (Accrued) Net Power Supply Costs
IPC's deferred (accrued) net power supply costs consisted of the following (in thousands of dollars):

	June 30, 2007		December 31, 2006	
Idaho PCA current year:				
Accrual for the 2007-2008 rate year *	$	-	$	(3,484)
Deferral for the 2008-2009 rate year		39,815		-
Idaho PCA true-up awaiting recovery (refund):				
Authorized May 2006		-		(11,689)
Authorized May 2007		10,571		-

Oregon deferral:				
2001 costs		4,955		6,670
2005 costs		-		2,889
Total deferral (accrual)	$	55,341	$	(5,614)

* Includes $69 million of emission allowance sales to be credited to the customers during the 2007-2008 PCA year

Idaho: IPC has a Power Cost Adjustment (PCA) mechanism that provides for annual adjustments to the rates charged to its Idaho retail customers. These adjustments are based on forecasts of net power supply costs, which are fuel and purchased power less off-system sales, and the true-up of the prior year's forecast. During the year, 90 percent of the difference between the actual and forecasted costs is deferred with interest. The ending balance of this deferral, called the true-up for the current year's portion and the true-up of the true-up for the prior years' unrecovered portion, is then included in the calculation of the next year's PCA.

On May 31, 2007, the IPUC approved IPC's 2007-2008 PCA filing. The filing increased the PCA component of customers' rates from the then existing level, which was $46.8 million below base rates, to a level that is $30.7 million above those base rates. This $77.5 million increase is net of $69.1 million of proceeds from sales of excess SO_2 emission allowances. The new rates were effective June 1, 2007.

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On June 1, 2006, IPC implemented the 2006-2007 PCA, which reduced the PCA component of customers' rates from the then-existing level, which was recovering $76.7 million above then-existing base rates, to a level that was $46.8 million below those base rates, a decrease of approximately $123.5 million.

Oregon: On April 28, 2006, IPC filed for an accounting order with the OPUC to defer net power supply costs for the period of May 1, 2006, through April 30, 2007. IPC requested authorization to defer an estimated $3.3 million, which is Oregon's jurisdictional share of the excess power supply costs. IPC also requested that it earn its Oregon authorized rate of return on the deferred balance and recover the amount through rates in future years, as approved by the OPUC. On April 25, 2007, a tentative settlement agreement was reached on the deferral application with the OPUC Staff and the Citizens' Utility Board in the amount of $2 million. This amount is subject to approval by the OPUC. The parties also agreed that IPC would file an application for an Oregon PCA mechanism.

The timing of future recovery of Oregon power supply cost deferrals is subject to an Oregon statute that specifically limits rate amortizations of deferred costs to six percent per year. IPC is currently amortizing through rates power supply costs associated with the western energy situation of 2001. Full recovery of the 2001 deferral is not expected until 2009. A 2006-2007 deferral would have to be amortized sequentially following the full recovery of the 2001 deferral.

On March 2, 2005, IPC filed for an accounting order with the OPUC to defer net power supply costs for the period of March 2, 2005 through February 28, 2006. The forecasted net power supply costs related to the Oregon jurisdiction that were included in this filing were $3 million. On March 5, 2007, IPC, the OPUC Staff and the Citizen's Utility Board entered into a stipulation under which the parties agreed that IPC appropriately deferred approximately $2.7 million during the 2005 deferral period. The stipulation also provided that, rather than amortizing the 2005 deferral into rates, IPC should offset the balance with the Oregon jurisdictional share of proceeds from the sale of excess SO_2 emission allowances and the benefit that IPC will receive from income taxes already paid on the sale of those allowances. When combined, these offsets exceed the 2005 deferral balance, and the excess was applied to the 2001 deferral balance. The OPUC approved the stipulation on April 2, 2007.

Fixed Cost Adjustment Mechanism (FCA)

On January 27, 2006, IPC filed with the IPUC for authority to implement a rate adjustment mechanism that would adjust rates downward or upward to recover fixed costs independent of the volume of IPC's energy sales. This filing was a continuation of a 2004 case that was opened to investigate the financial disincentives to investment in energy efficiency by IPC. This true-up mechanism would be applicable only to residential and small general service customers. The accounting for the FCA will be separate from the PCA. IPC proposed a three percent cap on any rate increase to be applied at the discretion of the IPUC.

IPC and the IPUC Staff agreed in concept to a three-year pilot beginning January 1, 2007, and a stipulation was filed on December 18, 2006. The stipulation called for the implementation of a FCA mechanism pilot program as proposed by IPC in its original application with additional conditions and provisions related to customer count and weather normalization methodology, recording of the FCA deferral amount in reports to the IPUC and detailed reporting of demand side management (DSM) activities. The IPUC approved the stipulation on March 12, 2007. The pilot program began retroactively on January 1, 2007, and will run through 2009, with the first rate adjustment to occur on

June 1, 2008, and subsequent rate adjustments to occur on June 1 of each year thereafter during the term of the pilot program. IPC accrued $1.1 million of FCA expense through the second quarter of 2007.

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Open Access Transmission Tariff (OATT)
On March 24, 2006, IPC submitted a revised OATT filing with the FERC requesting an increase in transmission rates. In the filing IPC proposed to move from a fixed rate to a formula rate, which allows for transmission rates to be updated each year based on FERC Form 1 data. The formula rate request included a rate of return on equity of 11.25 percent. The proposed rates would have produced an annual revenue increase of approximately $13 million based on 2004 test year data. The FERC accepted IPC's rates, effective June 1, 2006, subject to adjustment to conform to SFAS 109 tax accounting requirements, which lowered the estimated annual revenues to approximately $11 million. The rates are being collected subject to refund pending the outcome of the FERC hearing process. Settlement discussions were held in April and May of 2007 at which the parties to the proceeding reached settlement on all issues except the treatment of contracts in existence before the implementation of OATT in 1996 (Legacy Agreements). On June 15, 2007, the parties filed a settlement agreement with the FERC for the settled issues. The settlement agreement is awaiting FERC approval. Hearings have been held before the FERC regarding the treatment of the Legacy Agreements and an initial decision is expected in August 2007.

Pension Expense
In the 2003 Idaho general rate case, the IPUC disallowed recovery of pension expense because there were no current contributions being made to the plan. On March 20, 2007, IPC filed a request with the IPUC to clarify that IPC can consider future contributions made to the pension plan a recoverable cost of service. An order approving this application would not determine the methodology of recovery but would permit IPC to record a regulatory asset related to pension costs. On June 1, 2007, the IPUC issued its order authorizing IPC to account for its defined benefit pension expense on a cash basis, and to defer and account for accrued pension expense under SFAS 87, *"Employers' Accounting for Pensions,"* as a regulatory asset. The IPUC acknowledged that it is appropriate for IPC to seek recovery in its revenue requirement of reasonable and prudently incurred pension expense based on actual cash contributions. IPC will begin deferring pension expense to a regulatory asset account to be matched with revenue when future pension contributions are recovered through rates. The deferral of pension expense would not begin until $4.1 million of past contributions still recorded on the balance sheet at December 31, 2006, have been expensed. For 2007, approximately $2.8 million will be deferred to a regulatory asset beginning in the third quarter. IPC did not request a carrying charge to be applied to the deferral of the accrued SFAS 87 expense.

7. SEGMENT INFORMATION:

IDACORP has identified two reportable segments: utility operations and IFS. ITI and IDACOMM, which had previously been identified as reportable segments, are now reported as discontinued operations (see Note 9).

The utility operations segment's primary sources of revenue are the regulated operations of IPC. IPC's regulated operations include the generation, transmission, distribution, purchase and sale of electricity. This segment also includes income from IERCO, a wholly-owned subsidiary of IPC that is also subject to regulation and is a one-third owner of Bridger Coal Company, an unconsolidated joint venture. The IFS segment represents that subsidiary's investments in affordable housing developments and historic rehabilitation projects. Operating segments not included above are below the quantitative thresholds for reportable segments and are included in the "All Other" category. This category is comprised of Ida-West's joint venture investments in small hydroelectric generation projects, the remaining activities of energy marketer IE, which wound down its operations in 2003, and IDACORP's holding company expenses.

The following table summarizes the segment information for IDACORP's utility operations and IFS and the total of all other segments, and reconciles this information to total enterprise amounts (in thousands of dollars):

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	Utility Operations	IFS	All Other	Eliminations	Consolidated Total
Three months ended June 30, 2007:					
Revenues	$ 212,526	$ 307	$ 939	$ -	$ 213,772
Income (loss) from continuing operations	16,164	1,759	542	-	18,465
Three months ended June 30, 2006:					
Revenues	$ 240,848	$ 357	$ 1,430	$ -	$ 242,635
Income (loss) from continuing operations	21,612	2,069	(1,008)	-	22,673
Total assets at June 30, 2007	$ 3,287,266	$ 126,997	$ 148,996	$ (30,943)	$ 3,532,316
Six months ended June 30, 2007:					
Revenues	$ 418,455	$ 605	$ 1,424	$ -	$ 420,484
Income (loss) from continuing operations	39,495	3,621	(70)	-	43,046
Six months ended June 30, 2006:					
Revenues	$ 508,122	$ 699	$ 2,154	$ -	$ 510,975
Income (loss) from continuing operations	46,633	4,231	(1,236)	-	49,628

8. BENEFIT PLANS:

The following table shows the components of net periodic benefit costs for the three months ended June 30 (in thousands of dollars):

	Pension Plan		Deferred Compensation Plan		Postretirement Benefits	
	2007	2006	2007	2006	2007	2006
Service cost	$ 3,803	$ 3,619	$ 352	$ 368	$ 379	$ 376
Interest cost	6,115	5,585	593	582	895	862
Expected return on plan assets	(8,351)	(7,670)	-	-	(690)	(630)
Amortization of transition obligation	-	-	-	-	510	510
Amortization of prior service cost	162	166	44	61	(134)	(134)
Amortization of net loss	-	65	141	211	132	219
Net periodic benefit cost	$ 1,729	$ 1,765	$ 1,130	$ 1,222	$ 1,092	$ 1,203

The following table shows the components of net periodic benefit costs for the six months ended June 30 (in thousands of dollars):

	Pension Plan		Deferred Compensation Plan		Postretirement Benefits	
	2007	2006	2007	2006	2007	2006
Service cost	$ 7,606	$ 7,238	$ 704	$ 736	$ 758	$ 752
Interest cost	12,229	11,170	1,186	1,164	1,790	1,724
Expected return on plan assets	(16,693)	(15,340)	-	-	(1,380)	(1,260)
Amortization of net						
	-	-	-	-	1,020	1,020

obligation at transition						
Amortization of prior service cost	325	332	87	122	(268)	(268)
Amortization of net loss	-	130	283	422	264	438
Net periodic benefit cost	$ 3,467	$ 3,530	$ 2,260	$ 2,444	$ 2,184	$ 2,406

IDACORP and IPC have not contributed and do not expect to contribute to their pension plan in 2007.

9. DISCONTINUED OPERATIONS:

In the second quarter of 2006, IDACORP decided to seek buyers for its fuel cell technology subsidiary ITI and its telecommunications subsidiary IDACOMM. IDACORP had been reviewing strategic alternatives for ITI and IDACOMM in order to focus on its core utility business. The planned disposals of these businesses met the criteria established for reporting them as assets held for sale as defined by SFAS 144. SFAS 144 requires that a long-lived asset classified as held for sale be measured at the lower of its carrying amount or fair value, less costs to sell, and requires the holder to cease depreciation and amortization. Based on an analysis of the fair value of each subsidiary, no adjustments to the carrying values were required for the year ended December 31, 2006.

On July 20, 2006, IDACORP completed the sale of all of the outstanding common stock of ITI to IdaTech UK Limited, a wholly-owned subsidiary of Investec Group Investments (UK) Limited. IDACORP recorded a gain of $11.5 million, net of tax, from this transaction.

On February 23, 2007, IDACORP completed the sale of all of the outstanding common stock of IDACOMM to American Fiber Systems, Inc.

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The operating results of these businesses have been separately classified and reported as discontinued operations on IDACORP's condensed consolidated statements of income. A summary of discontinued operations is as follows (in thousands of dollars):

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Revenues	$ -	$ 3,403	$ 1,278	$ 8,704
Operating expenses	-	(7,466)	(1,309)	(15,447)
Other expense	-	(25)	(25)	(67)
Loss on disposal	-	-	(2,877)	-
Pre-tax losses	-	(4,088)	(2,933)	(6,810)
Income tax benefit	-	1,271	3,000	2,514
Income (losses) from discontinued operations	$ -	$ (2,817)	$ 67	$ (4,296)

The assets and liabilities of IDACOMM were classified as held for sale on IDACORP's condensed consolidated balance sheet at December 31, 2006. A summary of the components of assets and liabilities held for sale is as follows (in thousands of dollars):

	December 31, 2006
Assets	
Current assets	$ 3,326
Property and investments	20,789
Other assets	287
Total assets	$ 24,402
Liabilities	
Current liabilities	$ 2,606
Other liabilities	8,773
Total liabilities	$ 11,379

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of IDACORP, Inc.
Boise, Idaho

We have reviewed the accompanying condensed consolidated balance sheet of IDACORP, Inc. and subsidiaries (the "Company") as of June 30, 2007, and the related condensed consolidated statements of income and comprehensive income for the three-month and six-month periods ended June 30, 2007 and 2006, and of cash flows for the six-month periods ended June 30, 2007 and 2006. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews 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 (United States), 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 reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of IDACORP, Inc. and subsidiaries as of December 31, 2006, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 28, 2007, we expressed an unqualified opinion on those consolidated financial statements, which included an explanatory paragraph related to the adoption of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R).* In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2006, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP

Boise, Idaho
August 7, 2007

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholder of Idaho Power Company
Boise, Idaho

We have reviewed the accompanying condensed consolidated balance sheet and statement of capitalization of Idaho Power Company and subsidiary (the "Company") as of June 30, 2007, and the related condensed consolidated statements of income and comprehensive income for the three-month and six-month periods ended June 30, 2007 and 2006, and of cash flows for the six-month periods ended June 30, 2007 and 2006. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews 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 (United States), 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 reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet and statement of capitalization of Idaho Power Company and subsidiary as of December 31, 2006, and the related consolidated statements of income, comprehensive income, retained earnings, and cash flows for the year then ended (not presented herein); and in our report dated February 28, 2007, we expressed an unqualified opinion on those consolidated financial statements, which included an explanatory paragraph related to the adoption of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)*. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet and statement of capitalization as of December 31, 2006, is fairly stated, in all material respects, in relation to the consolidated balance sheet and statement of capitalization from which it has been derived.

DELOITTE & TOUCHE LLP

Boise, Idaho
August 7, 2007

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollar amounts and megawatt-hours (MWh) are in thousands unless otherwise indicated).

INTRODUCTION:

In Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), the general financial condition and results of operations for IDACORP, Inc. and its subsidiaries (collectively, IDACORP) and Idaho Power Company and its subsidiary (collectively, IPC) are discussed.

IDACORP is a holding company formed in 1998 whose principal operating subsidiary is IPC. IDACORP is subject to the provisions of the Public Utility Holding Company Act of 2005, which provides certain access to books and records to the Federal Energy Regulatory Commission (FERC) and state utility regulatory commissions and imposes certain record retention and reporting requirements on IDACORP.

IPC is an electric utility with a service territory covering approximately 24,000 square miles in southern Idaho and eastern Oregon. IPC is regulated by the FERC and the state regulatory commissions of Idaho and Oregon. IPC is the parent of Idaho Energy Resources Co., (IERCO) a joint venturer in Bridger Coal Company, which supplies coal to the Jim Bridger generating plant owned in part by IPC.

IDACORP's other subsidiaries include:

- IDACORP Financial Services, Inc. (IFS), an investor in affordable housing and other real estate investments;
- Ida-West Energy Company (Ida-West), an operator of small hydroelectric generation projects that satisfy the requirements of the Public Utility Regulatory Policies Act of 1978 (PURPA); and
- IDACORP Energy (IE), a marketer of energy commodities, which wound down operations in 2003.

In the second quarter of 2006, IDACORP management designated the operations of IDACORP Technologies, Inc. (ITI) and IDACOMM, Inc. (IDACOMM) as assets held for sale, as defined by Statement of Financial Accounting Standards No. 144. IDACORP's condensed consolidated financial statements reflect the reclassification of the results of these businesses as discontinued operations for all periods presented. Discontinued operations are discussed in more detail in Note 9 to IDACORP's and IPC's Condensed Consolidated Financial Statements and later in the MD&A.

On July 20, 2006, IDACORP completed the sale of all of the outstanding common stock of ITI to IdaTech UK Limited, a wholly-owned subsidiary of Investec Group Investments (UK) Limited.

On February 23, 2007, IDACORP completed the sale of all of the outstanding common stock of IDACOMM to American Fiber Systems, Inc.

While reading the MD&A, please refer to the accompanying Condensed Consolidated Financial Statements. This discussion updates the MD&A included in the Annual Report on Form 10-K for the year ended December 31, 2006, and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, and should be read in conjunction with the discussions in those reports.

FORWARD-LOOKING INFORMATION:

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (Reform Act), IDACORP and IPC are hereby filing cautionary statements identifying important factors that could cause actual results to differ materially from those projected in forward-looking statements (as such term is defined in the Reform Act) made by or on behalf of IDACORP or IPC in this Quarterly Report on Form 10-Q, in presentations, in response to questions or otherwise. Any statements that express, or involve discussions as to expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "may result," "may continue" or similar expressions) are not statements of

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historical facts and may be forward-looking. Forward-looking statements involve estimates, assumptions and uncertainties and are qualified in their entirety by reference to, and are accompanied by, the following important factors, which are difficult to predict, contain uncertainties, are beyond IDACORP's or IPC's control and may cause actual results to differ materially from those contained in forward-looking statements:

- Changes in and compliance with governmental policies, including new interpretations of existing policies, and regulatory actions and regulatory audits, including those of the Federal Energy Regulatory Commission, the Idaho Public Utilities Commission, the Oregon Public Utility Commission, and the Internal Revenue Service with respect to allowed rates of return, industry and rate structure, day-to-day business operations, acquisition and disposal of assets and facilities, operation and construction of plant facilities, provision of transmission services, relicensing of hydroelectric projects, recovery of purchased power expenses, recovery of other capital investments, present or prospective wholesale and retail competition (including but not limited to retail wheeling and transmission costs) and other refund proceedings;
- Changes arising from the Energy Policy Act of 2005;
- Litigation and regulatory proceedings, including those resulting from the energy situation in the western United States, and penalties and settlements that influence business and profitability;
- Changes in and compliance with environmental, endangered species and safety laws and policies;
- Weather variations affecting hydroelectric generating conditions and customer energy usage;
- Over-appropriation of surface and groundwater in the Snake River Basin resulting in reduced generation at hydroelectric facilities;
- Construction of power generating, transmission and distribution facilities including inability to obtain required governmental permits and approvals, and risks related to contracting, construction and start-up;
- Operation of power generating facilities including breakdown or failure of equipment, performance below expected levels, competition, fuel supply, including availability, transportation and prices, and transmission;
- Impacts from the potential formation of a regional transmission organization or the development of another transmission group;
- Population growth rates and demographic patterns;
- Market demand and prices for energy, including structural market changes;
- Changes in operating expenses and capital expenditures and fluctuations in sources and uses of cash;
- Results of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by factors such as credit ratings and general economic conditions;
- Actions by credit rating agencies, including changes in rating criteria and new interpretations of existing criteria;
- Homeland security, natural disasters and other natural risks, such as earthquake, flood, drought, lightning, wind and fire, acts of war or terrorism;
- Market conditions that could affect the operations and prospects of IDACORP's subsidiaries or their competitors;
- Increasing health care costs and the resulting effect on medical benefits paid for employees;
- Performance of the stock market and the changing interest rate environment, which affect the amount of required contributions to pension plans, as well as the reported costs of providing pension and other postretirement benefits;
- Increasing costs of insurance, changes in coverage terms and the ability to obtain insurance;
- Changes in tax rates or policies, interest rates or rates of inflation;
- Adoption of or changes in critical accounting policies or estimates; and
- New accounting or Securities and Exchange Commission requirements, or new interpretation or application of existing requirements.

Any forward-looking statement speaks only as of the date on which such statement is made. New factors emerge from time to time and it is not possible for management to predict all such factors, nor can it assess the impact of any such factor on the business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

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EXECUTIVE OVERVIEW:

Second quarter 2007 financial results
IDACORP's second quarter 2007 earnings were $18.5 million, a decrease of $1.4 million compared to the same period in 2006. Diluted earnings per share were $0.42, a decrease of $0.05 per share compared to 2006.

The key components of the change in IDACORP's net income for the second quarter are:

- IPC's earnings decreased to $16.2 million, a $5.4 million or $0.14 per diluted share decrease from the prior year. The key factors affecting IPC's earnings include (amounts shown are net of income taxes):
  - Increased retail sales contributed $7.1 million to gross margin (general business revenues and off-system sales less resource costs and rate-related amortizations). Warmer and drier conditions in the second quarter of 2007 led to higher irrigation loads as compared to the prior year. IPC continued to experience moderate customer growth, with the average number of general business customers increasing 12,819 over the same period in 2006, an increase of three percent.
  - Increased costs to supply power, net of rate adjustments, reduced gross margin by $4.6 million. Poor hydroelectric generating conditions in the second quarter of 2007 increased IPC's reliance on typically more expensive thermal generation and purchased power, and reduced wholesale sales. IPC's hydroelectric generation contributed only 51 percent of total system generation for the second quarter of 2007, as compared to 71 percent for the same period in 2006.
  - Increases in Other O&M expenses reduced earnings by $5.5 million compared to 2006. The increase is primarily the result of higher third-party transmission costs, higher labor-related expenses, higher maintenance expenses for IPC's coal-fired generation facilities and distribution facilities, and higher legal, regulatory and compliance expenses.
  - Gain on sales of excess SO_2 emission allowances was $0.5 million in 2007, compared to $4.7 million in 2006. IPC recorded a gain on the sale of 4,000 excess emission allowances in the second quarter of 2007, compared to 78,000 in the second quarter of 2006.

- Discontinued operations had no impact on earnings in the second quarter of 2007 as compared to a loss of $2.8 million (net of tax) in the second quarter of 2006, an increase of $0.06 per diluted share. Discontinued operations includes the operations of ITI, which was sold in July 2006, and IDACOMM, which was sold in February 2007.

- Losses at the holding company decreased $1.9 million, an improvement of $0.04 per share, reflecting a reduction in operating expenses and the effect of intra-period tax allocations recorded at the holding company.

Year-to-date 2007 financial results
IDACORP's year-to-date 2007 earnings were $43.1 million, a decrease of $2.2 million compared to the same period in 2006. Diluted earnings per share were $0.98 as compared to $1.06 in 2006, a decrease that is a result of lower earnings and increases in shares outstanding.

The key factors contributing to the change in IDACORP's net income in 2007 are:

- IPC's earnings decreased to $39.5 million, a $7.1 million or $0.19 per diluted share decrease from the prior year. The key factors affecting IPC's earnings for 2007 include (amounts shown are net of income taxes):

    - Increased retail sales contributed $9.1 million to gross margin (general business revenues and off-system sales less resource costs and rate-related amortizations). Warmer and drier conditions in 2007 led to higher irrigation loads as compared to the prior year. IPC continued to experience moderate customer growth, with the average number of general business customers increasing 13,324 over the same period in 2006, an increase of three percent.

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- Increased costs to supply power, net of rate increases, reduced gross margin by $5.9 million. Poor hydroelectric generating conditions in 2007 increased IPC's reliance on typically more expensive thermal generation and purchased power, and reduced wholesale sales. IPC's hydroelectric generation contributed only 51 percent of total system generation for 2007, as compared to 67 percent for the same period in 2006.
- Increases in Other O&M expenses reduced earnings by $9.3 million compared to 2006. The increase is primarily the result of higher labor-related expenses, higher maintenance expenses for IPC's coal-fired generation facilities and distribution facilities, higher legal, regulatory and compliance expenses, and higher third-party transmission costs.
- Gain on sale of excess SO_2 emission allowances was $0.5 million, compared to $5.0 million in 2006. IPC recorded a gain on the sale of 4,000 excess emission allowances in 2007, compared to 78,000 in 2006.

- Discontinued operations had no material impact on earnings in 2007 as compared to a loss of $4 million (net of tax) in 2006, an increase of $0.10 per diluted share. Discontinued operations includes the operations of ITI, which was sold in July 2006, and IDACOMM, which was sold in February 2007.

- Losses at the holding company decreased $1.5 million, an improvement of $0.04 per share, reflecting a reduction in operating expenses and the effect of intra-period tax allocations recorded at the holding company.

Hydroelectric generating conditions

Significantly below normal winter precipitation and stream flow conditions negatively impacted hydroelectric generation for the first half of 2007 as compared to the same period in 2006. On August 1, 2007, the National Weather Service's Northwest River Forecast Center reported that Brownlee reservoir inflow for April through July 2007 was to be 2.8 maf, or 45 percent of average, a reduction from the 3.0 maf, or 48 percent of average, projected on May 7, 2007. With current and forecasted stream flow conditions, IPC expects to generate between 6.0 and 6.5 million MWh from its hydroelectric facilities in 2007, compared to 9.2 million MWh in 2006.

Because of its reliance on hydroelectric generation, IPC's operations can be significantly affected by weather conditions. The availability of hydroelectric power depends on the amount of snow pack in the mountains upstream of IPC's hydroelectric facilities, springtime snow pack run-off, rainfall and other weather and stream flow management considerations. During low water years, when stream flows into IPC's hydroelectric projects are reduced, IPC's hydroelectric generation is reduced. This results in less generation from IPC's resource portfolio (hydroelectric, coal-fired and gas-fired) available for off-system sales and, most likely, an increased use of purchased power to meet load requirements. Both of these situations - a reduction in off-system sales and an increased use of more expensive purchased power - result in increased power supply costs.

Power Cost Adjustment

On June 1, 2007, IPC implemented its annual Power Cost Adjustment (PCA), which results in a $77.5 million, or 14.5 percent on average, increase in the rates of Idaho customers. The increase in rates is a direct result of significantly below normal winter precipitation and deteriorated stream flow conditions during the first half of 2007. In years where water is plentiful and IPC can fully utilize its extensive hydroelectric system, power production costs are lower and IPC can pass those benefits to its customers in the form of rate reductions. In years when water is in short supply, as it was this past winter, the higher costs of supplying power by other means are shared with IPC's customers.

General Rate Case filing

On June 8, 2007, IPC filed an application with the IPUC requesting an average base rate increase of 10.35 percent for its Idaho customers. Base rates primarily reflect IPC's cost of providing electrical service to its customers, including equipment and infrastructure. IPC's proposal would increase revenues $63.9 million annually and allow IPC to begin recovery of its capital investments and higher operating costs. The application included a requested return on equity of 11.5 percent and an overall rate of return of 8.561 percent. IPC has requested that the rate increase become effective by January 2008.

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Capital requirements
IPC is experiencing a cycle of heavy infrastructure investment to address customer energy, capacity and reliability needs and aging plant and equipment. IPC's aging hydroelectric and thermal generation facilities require upgrades and component replacement. In addition, costs related to relicensing hydroelectric facilities and complying with the new licenses are substantial. Continuing load growth also requires that IPC add to its transmission system and distribution facilities to provide new service and to maintain reliability. Planned expenditures include distribution lines for new customers and several high-voltage transmission lines.

July 2007 high temperatures
IPC's service territory experienced record-setting high temperatures during July 2007. Due to these weather conditions and continued customer growth, IPC set three new all-time peaks between July 5 and July 13, 2007, with the highest, 3,193 MW being set on July 13, 2007. The previous hourly system peak of 3,084 MW, was set in 2006. IPC was able to meet all of its load requirements during these periods of increased demand through its system generation and by increasing the amount of purchased power.

IPC/PacifiCorp (MidAmerican) Memorandum of Understanding
IPC and PacifiCorp are jointly exploring a project to build two 500-kV lines between the Jim Bridger plant and Boise. The lines would be designed to meet the growth in customers' electricity needs and increase electrical transmission capacity across southern Idaho. If built, it is expected that portions of the project would be completed between 2012 and 2014 and IPC estimates that its share of project costs would be between $800 million and $1.2 billion.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES:

IDACORP's and IPC's discussion and analysis of their financial condition and results of operations are based upon their condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires IDACORP and IPC to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, IDACORP and IPC evaluate these estimates including those estimates related to rate regulation, benefit costs, contingencies, litigation, impairment of assets, income taxes, unbilled revenue and bad debt. These estimates are based on historical experience and on other assumptions and factors that are believed to be reasonable under the circumstances, and are the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. IDACORP and IPC, based on their ongoing reviews, make adjustments when facts and circumstances dictate.

IDACORP's and IPC's critical accounting policies are reviewed by the Audit Committee of the Board of Directors. These policies are discussed in more detail in the Annual Report on Form 10-K for the year ended December 31, 2006, and have not changed materially from that discussion.

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RESULTS OF OPERATIONS:

This section of the MD&A takes a closer look at the significant factors that affected IDACORP's and IPC's earnings during the three and six months ended June 30, 2007. In this analysis, the results for 2007 are compared to the same period in 2006.

The following table presents the earnings (losses) for IDACORP's operating segments as well as the holding company:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	**2006**	**2007**	**2006**
Continuing operations:				
IPC - Utility operations	$16,164	$21,612	$39,495	$46,633
IDACORP Financial Services	1,759	2,069	3,621	4,231
Ida-West Energy	836	1,030	1,042	1,363
IDACORP Energy	(21)	90	(76)	(111)
Holding Company	(273)	(2,128)	(1,036)	(2,488)
Income from continuing operations	18,465	22,673	43,046	49,628
Income (Losses) from discontinued operations	-	(2,817)	67	(4,296)
Net income	$18,465	$19,856	$43,113	$45,332
Average common shares outstanding (diluted)	43,884	42,702	43,845	42,642
Diluted earnings (loss) per share:				
Income from continuing operations	$ 0.42	$ 0.53	$ 0.98	$ 1.16
Losses from discontinued operations	$ -	$ (0.06)	$ -	$ (0.10)
Diluted earnings per share	$ 0.42	$ 0.47	$ 0.98	$ 1.06

Utility Operations

Operating environment: IPC is one of the nation's few investor-owned utilities with a predominantly hydroelectric generating base. Because of its reliance on hydroelectric generation, IPC's generation operations can be significantly affected by weather conditions. The availability of hydroelectric power depends on the amount of snow pack in the mountains upstream of IPC's hydroelectric facilities, springtime snow pack run-off, rainfall and other weather and stream flow management considerations. During low water years, when stream flows into IPC's hydroelectric projects are reduced, IPC's hydroelectric generation is reduced. This results in less generation from IPC's resource portfolio (hydroelectric, coal-fired and gas-fired) available for off-system sales and, most likely, an increased use of typically more expensive purchased power to meet load requirements. Both of these situations - a reduction in off-system sales and an increased use of more expensive purchased power - result in increased net power supply costs. During high water years, increased off-system sales and the decreased need for purchased power reduce net power supply costs.

Operations plans are developed during the year to provide guidance for generation resource utilization and energy market activities (off-system sales and power purchases). The plans incorporate forecasts for generation unit availability, reservoir storage and stream flows, gas and coal prices, customer loads, energy market prices and other pertinent inputs. Consideration is given to when to use IPC's available resources to meet forecast loads and when to transact in the wholesale energy market. The allocation of hydroelectric generation between heavy-load and light-load hours or calendar periods is considered in the development of the operating plans. This allocation is intended to utilize the flexibility of the hydroelectric system to shift generation to high value periods, while operating within the constraints imposed on the system. IPC's energy risk management policy, unit operating requirements and other obligations provide the framework for the plans.

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The following table presents IPC's power supply for the three and six month periods ended June 30:

	MWh				
	Hydroelectric Generation	**Thermal Generation**	**Total system Generation**	**Purchased Power**	**Total**
Three months ended:					
June 30, 2007	1,539	1,461	3,000	1,527	4,527
June 30, 2006	3,038	1,215	4,253	1,786	6,039
Six months ended:					
June 30, 2007	3,385	3,208	6,593	2,502	9,095
June 30, 2006	5,866	2,938	8,804	2,703	11,507

Significantly below normal winter precipitation and stream flow conditions negatively impacted hydroelectric generation during the first half of 2007 compared to 2006. On August 1, 2007, the National Weather Service's Northwest River Forecast Center indicated that Brownlee reservoir inflow for April through July 2007 was 2.8 maf, or 45 percent of average, a reduction from the 3.0 maf, or 48 percent of average, projected on May 7, 2007. Storage in selected federal reservoirs upstream of Brownlee as of July 31, 2007, was 70 percent of average. With current and forecasted stream flow conditions, IPC expects to generate between 6.0 and 6.5 million MWh from its hydroelectric facilities in 2007, compared to 9.2 million MWh in 2006.

IPC's system load peaks in the summer and winter, with the larger peak demand occurring in the summer. IPC's record system peak of 3,193 MW occurred on July 13, 2007. IPC was able to meet system load requirements and off-system sales requirements and had sufficient operating reserves in place.

General business revenue: The following table presents IPC's general business revenues, MWh sales, average number of customers and Boise, Idaho weather conditions for the three and six months ended June 30:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2007	**2006**	**2007**	**2006**
Revenue				
Residential	$ 62,886	$ 64,005	$ 141,468	$ 152,442
Commercial	39,983	40,511	76,191	83,541
Industrial	23,294	27,006	45,393	56,893
Irrigation	36,049	27,688	36,411	28,517
Total	$ 162,212	$ 159,210	$ 299,463	$ 321,393
MWh				
Residential	1,067	1,024	2,531	2,440
Commercial	939	873	1,882	1,785
Industrial	835	845	1,707	1,721
Irrigation	815	593	820	607
Total	3,656	3,335	6,940	6,553
Customers (average)				
Residential	396,282	385,980	395,373	384,494

Commercial	61,279	58,701	61,014	58,490
Industrial	127	132	126	132
Irrigation	18,050	18,106	17,957	18,030
Total	475,738	462,919	474,470	461,146
Heating degree-days	573	588	2,909	3,001
Cooling degree-days	288	269	288	269
Precipitation (inches)	2.24	3.83	4.02	8.20

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Heating and cooling degree-days are common measures used in the utility industry to analyze the demand for electricity and indicate when customers would use electricity for heating and air conditioning. A degree-day measures how much the average daily temperature varies from 65 degrees. Each degree of temperature above 65 degrees is counted as one cooling degree-day, and each degree of temperature below 65 degrees is counted as one heating degree-day.
General business revenue increased $3 million for the second quarter of 2007, primarily due to higher usage and customer counts, partially offset by a reduction in average rates.

- **Usage:** Weather variations resulted in a $14 million increase in general business revenue as compared to the second quarter of 2006. Particularly dry conditions positively impacted irrigation revenues as compared with the prior year (precipitation was 42 percent lower as compared to the second quarter of 2006). Warm weather conditions also increased residential and commercial usage.
- **Customers:** General business customer growth improved revenue $3 million for the quarter, as IPC continued to experience moderate customer growth in its service territory. The residential and commercial customer bases rose three percent and four percent, respectively, over the second quarter of the prior year.
- **Rates:** Rate changes negatively impacted general business revenue by $15 million as compared to the second quarter of 2006. A PCA reduction on June 1, 2006, decreased rates by an average of 19.3 percent but was moderated by a base rate increase of 3.2 percent on June 1, 2006, and an average rate increase of 14.5 percent resulting from the PCA effective June 1, 2007. Prior year revenues also included approximately $4 million related to a rate case tax settlement and an irrigation load reduction rate adjustment, both of which were recovered from June 2005 to May 2006 (with a corresponding reduction to other revenues).

General business revenue decreased $22 million year-to-date 2007, primarily due to lower rates. The rate decreases were partially offset by higher usage and customer counts.

- **Rates:** Rates negatively impacted general business revenue by $42 million as compared to 2006. A PCA reduction on June 1, 2006, decreased rates by an average of 19.3 percent but was moderated by a base rate increase of 3.2 percent on June 1, 2006, and the new PCA rate increase of 14.5 percent on average effective June 1, 2007. Prior year revenues also included approximately $10 million related to a rate case tax settlement and an irrigation load reduction rate adjustment, both of which were recovered from June 2005 to May 2006 (with a corresponding reduction to other revenues).
- **Usage:** Weather variations resulted in a $14 million increase in general business revenue as compared to 2006. Particularly dry conditions positively impacted irrigation revenues as compared to the prior year (precipitation was 51 percent lower as compared to 2006). Warm weather conditions also increased residential and commercial usage.
- **Customers:** General business customer growth improved revenue $6 million for the year, as IPC continued to experience moderate customer growth in its service territory. The residential and commercial customer bases rose three percent and four percent, respectively, over the prior year.

Off-system sales: Off-system sales consist primarily of long-term sales contracts and opportunity sales of surplus system energy. The following table presents IPC's off-system sales for the three and six months ended June 30:

	Three months ended	**Six months ended**

	June 30,		June 30,	
	2007	**2006**	**2007**	**2006**
Revenue	$ 37,177	$ 75,598	$ 95,016	$ 179,839
MWh sold	526	2,343	1,490	4,286
Revenue per MWh	$ 70.70	$ 32.27	$ 63.77	$ 41.95

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Deteriorated stream flow conditions for the quarter and year-to-date significantly decreased hydroelectric generation and electricity available for surplus sales. Revenue declines from lower sales volumes were moderated by higher prices. Prior year prices were lower because of abundant energy supplies in the region. Beginning in 2007, IPC is utilizing financial hedge instruments in addition to physical forward power transactions for the purpose of mitigating price risk related to conforming to IPC's energy risk management policy, managing IPC's energy portfolio to meet customer load, and reacting to changes in market conditions to minimize net power supply costs.

Other revenues: The following table presents the components of other revenues for the three and six months ended June 30:

	Three months ended June 30,		Six months ended June 30,	
	2007	**2006**	**2007**	**2006**
Transmission services and property rental	$ 11,016	$ 10,313	$ 20,284	$ 17,429
DSM revenues	2,548	-	4,663	-
Rate case tax settlement	-	(1,891)	-	(4,846)
Irrigation load reduction	-	(2,207)	-	(5,518)
Provision for rate refund	(427)	(175)	(971)	(175)
Total	$ 13,137	$ 6,040	$ 23,976	$ 6,890

Beginning in January 2007, a new IPUC accounting order became effective for the treatment of IPC's DSM expenses. DSM costs were recorded in Other operations and maintenance expenses and were offset by the same amount recorded in Other revenues resulting in no net effect on earnings. See "Other operating and maintenance expenses."

The remaining increase in Other revenues is largely due to higher wheeling revenues and to the completed amortization of tax settlement and irrigation lost revenue accruals. From June 2005 to May 2006, IPC was collecting and recording in general business revenues, with a corresponding reduction to Other revenues, amounts related to a 2003 Idaho general rate case tax settlement and amounts related to an irrigation load reduction program. Revenues for the rate case tax settlement were accrued from September 2004 to May 2005.

Purchased power: The following table presents IPC's purchased power for the three and six months ended June 30:

	Three months ended June 30,	Six months ended June 30,
	2007	
	$ (4.1)	

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Basic and diluted loss per share attributable to Aviat Networks' common stockholders:			
Continuing operations	$ (0.40)	$ (0.84)	$ (0.21)
Discontinued operations	$ 0.00	$ 0.01	$ (0.07)
Net loss	$ (0.40)	$ (0.83)	$ (0.28)

Weighted average shares outstanding, basic and diluted	62.2	61.6	60.0

See accompanying notes to consolidated financial statements

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AVIAT NETWORKS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

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

See accompanying notes to consolidated financial statements

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AVIAT NETWORKS, INC.
CONSOLIDATED BALANCE SHEETS

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

See accompanying notes to consolidated financial statements

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AVIAT NETWORKS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

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

See accompanying notes to consolidated financial statements

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AVIAT NETWORKS, INC.
CONSOLIDATED STATEMENTS OF EQUITY

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

See accompanying notes to consolidated financial statements

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AVIAT NETWORKS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The Company and Summary of Significant Accounting Policies

The Company

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

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

Basis of Presentation

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

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

Use of Estimates

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

Reclassifications

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

Cash and Cash Equivalents

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

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

“available-for-sale” and are classified as short-term because we view our entire portfolio as available for use in our current operations.
As of July 3, 2015 and June 27, 2014, all of our high-quality marketable debt securities were invested in prime money market funds and were classified as cash equivalents.
Cash and cash equivalents that are restricted as to withdrawal or usage under the terms of contractual agreements are recorded as restricted cash. At July 3, 2015, restricted cash included cash balances in our disability insurance voluntary plan account that cannot be used by us for any operating purposes other than to pay benefits to the insured employees and was recorded in other assets in our consolidated balance sheets. The corresponding liabilities were included in other long-term liabilities in our consolidated balance sheets.
Significant Concentrations
We typically invoice our customers for the sales order (or contract) value of the related products delivered at various milestones, including order receipt, shipment, installation and acceptance and for services when rendered. Our trade receivables are derived from sales to customers located in North America, Africa, Europe, the Middle East, Russia, Asia-Pacific and Latin America.
Accounts receivable is presented net of allowance for estimated uncollectible accounts to reflect any loss anticipated on the collection of accounts receivable balances. We calculate the allowance based on our history of write-offs, level of past due accounts and the economic status of the customers. The fair value of our accounts receivable approximates their net realizable value.
We regularly require letters of credit from some customers and, from time to time, we discount these letters of credit issued by customers through various financial institutions. The discounting of letters of credit depends on many factors, including the willingness of financial institutions to discount the letters of credit and the cost of such arrangements. Under these arrangements, collection risk is fully transferred to the financial institutions. We record the financing charges on discounting these letters of credit as interest expense. Total customer letters of credit discounted and related interest expense were as follows:

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

During fiscal 2015, 2014 and 2013, we had one international customer in Africa, Mobile Telephone Networks Group (“MTN Group”) that accounted for 14%, 17% and 25%, respectively, of our total revenue. In addition, Verizon Wireless accounted for 11% of our total revenue during fiscal 2013. As of July 3, 2015 and June 27, 2014, MTN Group accounted for approximately 10% and 17%, respectively, of our accounts receivable. No other customers accounted for more than 10% of our revenue or accounts receivable for the years presented.
Financial instruments that potentially subject us to a concentration of credit risk consist principally of cash equivalents, marketable debt securities, trade accounts receivable and financial instruments used in foreign currency hedging activities. We invest our excess cash primarily in prime money market funds and certificates of deposit. We are exposed to credit risks related to such instruments in the event of default or decrease in credit-worthiness of the issuers of the investments.
We perform ongoing credit evaluations of our customers and generally do not require collateral on accounts receivable, as the majority of our customers are large, well-established companies. However, in certain circumstances, we may require letters of credit, additional guarantees or advance payments. We maintain allowances for collection losses, but historically have not experienced any significant losses related to any particular geographic area. Our customers are primarily in the telecommunications industry, so our accounts receivable are concentrated within one industry and exposed to concentrations of credit risk within that industry. Accounts receivable are written off when attempts to collect outstanding amounts have been exhausted or there are other indicators that the amounts are no longer collectible.
We rely on third parties to manufacture our products and we purchase raw materials from third-party vendors. We outsourced our manufacturing services to two independent manufacturers. In addition, we purchase certain strategic component inventory which is consigned to our third-party manufacturers. Other components included in our products

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

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

Inventories

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

Customer Service Inventories

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

Property, Plant and Equipment

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

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

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

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

Impairment of Long-Lived Assets

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

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

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

Other Accrued Expenses and Other Assets

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

Warranties

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

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

Noncontrolling interests

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

Operating Leases

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

Foreign Currency Translation

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

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

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

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

Retirement Benefits

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

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

Revenue Recognition

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

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

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

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

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

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

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

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

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

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

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

Cost of Product Sales and Services

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

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

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

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

Research and Development Costs

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

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Share-Based Compensation

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

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

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

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

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

Restructuring Charges

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

Income Taxes and Related Uncertainties

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

We are required to compute our income taxes in each federal, state, and international jurisdiction in which we operate. This process requires that we estimate the current tax exposure as well as assess temporary differences between the

accounting and tax treatment of assets and liabilities, including items such as accruals and allowances not currently deductible for tax purposes as well as operating loss and tax credit carry forwards. The income tax effects of the

differences we identify are classified as current or long-term deferred tax assets and liabilities in our consolidated balance sheets. Our judgments, assumptions, and estimates relative to the current provision for income taxes take into account current tax laws, our interpretation of current tax laws, and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax laws or our interpretation of tax laws and the resolution of current and future tax audits could significantly impact the amounts provided for income taxes in our consolidated balance sheets and consolidated statements of operations. We must also assess the likelihood that deferred tax assets will be realized from future taxable income and, based on this assessment, establish a valuation allowance, if required. Our determination of our valuation allowance is based upon a number of assumptions, judgments, and estimates, including forecasted earnings, future taxable income, and the relative proportions of revenue and income before taxes in the various domestic and international jurisdictions in which we operate. To the extent we establish a valuation allowance or change the valuation allowance in a period, we reflect the change with a corresponding increase or decrease to our tax provision in our consolidated statements of operations.

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

Recently Issued Accounting Standards

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

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

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

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Note 2. Revision of Prior Years Consolidated Financial Statements

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

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

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

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

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

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

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

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

Note 3. Accumulated Other Comprehensive Loss

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

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

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

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

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

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Note 4. Net Loss per Share of Common Stock

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

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

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

Note 5. Balance Sheet Components

Accounts Receivables, net

Our net accounts receivable is summarized below:

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

Inventories

Our inventories are summarized below:

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

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

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

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

Property, Plant and Equipment, net

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

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

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

Accrued Warranties

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

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

Note 6. Fair Value Measurements of Assets and Liabilities

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

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

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

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

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

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

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

Note 7. Credit Facility and Debt

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

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

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

The SVB Credit Facility contains quarterly financial covenants including minimum adjusted quick ratio and minimum profitability (EBITDA) requirements. In the event our adjusted quick ratio falls below a certain level, cash

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

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

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

Note 8. Restructuring Activities

Fiscal 2015-2016 Plan

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

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

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

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

Fiscal 2014-2015 Plan

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

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

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

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

Fiscal 2013-2014 Plan

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

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

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

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

Fiscal 2011 Plan

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

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

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

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

Restructuring Liabilities

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

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

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

Note 9. Stockholders’ Equity

Stock Incentive Programs

2007 Stock Equity Plan

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

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

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period from the date of grant; or (4) 25% annually over a four-year period from date of grant. Stock options are issued to directors annually and generally vest on the day before the annual stockholders' meeting.

Restricted stock is not transferable until vested and the restrictions lapse upon the achievement of continued employment or service over a specified time period. Restricted stock issued to employees generally vests on one of three vesting schedules: (1) one-third annually over a three-year period from the date of grant (2) 25% annually over a four-year period from date of grant; or (3) in full three years after the grant date. Restricted stock issued to directors annually and generally vests on the day before the annual stockholders' meeting.

Vesting of performance shares under our AIP, LTIP or GEP is subject to financial performance criteria including revenue, operating income, or cash flow targets for the periods as defined in the programs and continued employment through the end of the applicable period. Performance shares under our PDIPs are issued to employees related to certain new product development projects and vest upon achievement of the product development milestones as defined in the programs.

Upon the exercise of stock options, vesting of restricted stock awards and units, or vesting of performance share awards and units, we issue new shares of our common stock to our employees. All awards that are canceled prior to vesting or expire unexercised are returned to the approved pool of reserved shares under the 2007 Stock Plan and made available for future grants. Shares of our common stock remaining available for future issuance under the 2007 Stock Plan totaled 1,351,936 as of July 3, 2015.

Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan ("ESPP"), employees are entitled to purchase shares of our common stock at a 5% discount from the fair market value at the end of a three-month purchase period. As of July 3, 2015, 755,636 shares were reserved for future issuances under the ESPP. We issued 10,621 shares under the ESPP during fiscal 2015.

Share-Based Compensation

Total compensation expense for share-based awards included in our consolidated statements of operations for fiscal 2015, 2014 and 2013 was as follows:

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

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

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Stock Options

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

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

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

Additional information related to our stock options is summarized below:

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

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

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

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

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

Restricted Stock

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

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

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

Performance Share Awards

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

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

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

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

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Note 10. Segment and Geographic Information

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

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

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

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

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

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

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

Note 11. Divestiture

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

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

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

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

Note 12. Income Taxes

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

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

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

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

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

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

The income tax benefit from continuing operations for fiscal year 2015 was $1.3 million. The difference between our income tax benefit from continuing operations and income tax expense at the statutory rate of 35% on our pre-tax loss of $26.0 million was primarily attributable to losses in tax jurisdictions in which we cannot recognize a tax benefit and increases in foreign withholding taxes, offset with the $4.4 million tax benefit from the release of valuation allowance in jurisdictions where management believes the utilization of deferred tax assets was more likely than not based on the weighting of positive and negative evidence.
The income tax expense from continuing operations for fiscal year 2014 was $1.5 million. The difference between our income tax expense from continuing operations and income tax expense at the statutory rate of 35% on our pre-tax loss of $50.5 million was primarily attributable to losses in tax jurisdictions in which we cannot recognize a tax benefit and increases in foreign withholding taxes.
The income tax expense from continuing operations for fiscal year 2013 was $13.3 million. The difference between our income tax expense from continuing operations and income tax benefit at the statutory rate of 35% on our pre-tax income of $0.7 million was primarily attributable to a $11.7 million increase in our reserve for uncertain tax positions, losses in tax jurisdictions in which we cannot recognize a tax benefit, and increases in foreign withholding taxes. The increase in our unrecognized tax benefits was the result of additional information obtained during the recent tax examinations in certain countries during fiscal 2013.

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

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

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

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

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

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

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

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

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

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

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

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

Note 13. Commitments and Contingencies

Operating Lease Commitments

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

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

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

These commitments do not contain any material rent escalations, rent holidays, contingent rent, rent concessions, leasehold improvement incentives or unusual provisions or conditions. We sublease a portion of our facilities to third

parties and total minimum rentals to be received in the future under our non-cancelable subleases were $0.1 million as of July 3, 2015.
Rental expense for operating leases, including rentals on a month-to-month basis was $6.5 million, $7.7 million and $8.5 million in fiscal 2015, 2014 and 2013, respectively.

Purchase Orders and Other Commitments

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

Financial Guarantees and Commercial Commitments

Guarantees issued by banks, insurance companies or other financial institutions are contingent commitments issued to guarantee our performance under borrowing arrangements, such as bank overdraft facilities, tax and customs obligations and similar transactions or to ensure our performance under customer or vendor contracts. The terms of the guarantees are generally equal to the remaining term of the related debt or other obligations and are generally limited to two years or less. As of July 3, 2015, we had no guarantees applicable to our debt arrangements.
We have entered into commercial commitments in the normal course of business including surety bonds, standby letters of credit agreements and other arrangements with financial institutions primarily relating to the guarantee of future performance on certain contracts to provide products and services to customers. As of July 3, 2015, we had commercial commitments of $33.1 million outstanding that were not recorded in our consolidated balance sheets. We do not believe, based on historical experience and information currently available, that it is probable that any amounts will be required to be paid on the performance guarantees.

Indemnifications

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

Legal Proceedings

From time to time, we may be involved in various legal claims and litigation that arise in the normal course of our operations. We are aggressively defending all current litigation matters. Although there can be no assurances and the outcome of these matters is currently not determinable, we currently believe that none of these claims or proceedings are likely to have a material adverse effect on our financial position. There are many uncertainties associated with any litigation and these actions or other third-party claims against us may cause us to incur costly litigation and/or substantial settlement charges. As a result, our business, financial condition, results of operations, and cash flows could be adversely affected. The actual liability in any such matters may be materially different from our estimates, if any.
We record accruals for our outstanding legal proceedings, investigations or claims when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. We evaluate, at least on a quarterly basis, developments in legal proceedings, investigations or claims that could affect the amount of any accrual, as well as any developments that would result in a loss contingency to become both probable and reasonably estimable. We have not

recorded any accrual for loss contingencies associated with such legal claims or litigation discussed above.

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Contingent Liabilities

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

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

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

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Note 14. Quarterly Financial Data (Unaudited)

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

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

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

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

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

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

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

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

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

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

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

(a) Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP and includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

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

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, management has assessed the effectiveness of the Company’s internal control over financial reporting based on the criteria set forth in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

A material weakness is a control deficiency or a combination of control deficiencies that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. In connection with the Company’s assessment of the effectiveness of internal control over financial reporting, the Company identified the following material weaknesses that existed as of July 3, 2015:

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

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

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

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

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

(b) Evaluation of Disclosure Controls and Procedures

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

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

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

(c) Changes in Internal Control over Financial Reporting

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

(d) Remedial Actions to Address Material Weaknesses

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

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

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

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

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

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

Item 9B. Other Information

None.

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PART III

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

Item 10. Directors, Executive Officers and Corporate Governance

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

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

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

Item 11. Executive Compensation

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

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

Equity Compensation Plan Summary

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

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

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

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

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

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

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

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

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

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

Item 14. Principal Accountant Fees and Services

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

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PART IV

Item 15. Exhibits and Financial Statement Schedules

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

1. Financial Statements.

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

2. Financial Statement Schedules.

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

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

(b) Exhibits.

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

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

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

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

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

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

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

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

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

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SIGNATURES

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

AVIAT NETWORKS, INC.
(Registrant)

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

Date: September 30, 2015

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

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

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

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

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

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

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

EXHIBIT INDEX

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

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

10.6	Intentionally omitted
10.6.1	Intentionally omitted
10.7	Intentionally omitted
10.8	Intentionally omitted
10.9	Intentionally omitted
10.10	Tax Sharing Agreement between Harris Stratex Networks, Inc. and Harris Corporation dated January 26, 2007 (incorporated by reference to Exhibit 10.11 to the Current Report on Form 8-K filed with the SEC on February 1, 2007, File No. 001-33278)
10.11	Intentionally omitted
10.12*	Intentionally omitted
10.13*	Intentionally omitted

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Ex. #	Description
10.13.1*	Intentionally omitted
10.14*	Standard Form of Executive Employment Agreement between Harris Stratex Networks, Inc. and certain executives (incorporated by reference to Exhibit 10.16 to the Current Report on Form 8-K filed with the SEC on February 1, 2007, File No. 001-33278)
10.15	Form of Indemnification Agreement between Harris Stratex Networks, Inc. and its directors and certain officers (incorporated by reference to Exhibit 10.16 to the Registration Statement on Form S-1 of Stratex Networks, Inc., File No. 33-13431)
10.16	Intentionally omitted
10.17*	Harris Stratex Networks, Inc. Annual Incentive Plan (incorporated by reference to Exhibit 10.17 to the Annual Report on Form 10-K for the fiscal year ended June 27, 2008 filed with the SEC on September 25, 2008, File No. 001-33278)
10.18*	Intentionally omitted
10.18.1	Intentionally omitted
10.18.2	Aviat Networks, Inc. 2007 Stock Equity Plan (as Amended and Restated Effective November 17, 2011) (incorporated by reference to Appendix A to Schedule 14A filed with the SEC on October 3, 2011, File No. 001-33278)
10.19	Intentionally omitted
10.19.1	Intentionally omitted
10.20	Intentionally omitted
10.20.1	Intentionally omitted
10.20.2	Intentionally omitted
10.20.3	Second Amended and Restated Loan and Security Agreement, dated as of March 28, 2014, by and among Aviat Networks, Inc., Aviat U.S., Inc., Aviat Networks (S) Pte. Ltd., and Silicon Valley Bank (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on March 31, 2014, File No. 001-33278)
10.20.4	Amendment #1 to Second Amended and Restated Loan and Security Agreement, dated as of September 25, 2014, by and among Aviat Networks, Inc., Aviat U.S., Inc., Aviat Networks (S) Pte. Ltd. and Silicon Valley Bank (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on September 29, 2014, File No. 001-33278)
10.20.5	Amendment #2 to Second Amended and Restated Loan and Security Agreement, dated as of October 30,2014, by and among Aviat Networks, Inc., Aviat U.S., Inc., Aviat Networks (S) Pte. Ltd. and Silicon Valley Bank (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the

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

Ex. #	Description
10.24*	Intentionally omitted
10.24.1*	Intentionally omitted
10.24.2*	Intentionally omitted
10.25*	Employment Agreement, dated as of May 14, 2002, between Stratex Networks, Inc. and Shaun McFall (incorporated by reference to Exhibit 10.25 to the Annual Report on Form 10-K for the fiscal year ended July 3, 2009 filed with the SEC on September 4, 2009, File No. 001-33278)
10.25.1*	Amendment, effective April 1, 2006, to Employment Agreement, dated May 14, 2002, between Stratex Networks, Inc. and Shaun McFall (incorporated by reference to Exhibit 10.25.1 to the Annual Report on Form 10-K for the fiscal year ended July 3, 2009 filed with the SEC on September 4, 2009, File No. 001-33278)
10.26*	Intentionally omitted
10.26.1*	Intentionally omitted
10.27*	Intentionally omitted
10.28*	Employment Agreement, dated July 18, 2011, between Aviat Networks, Inc. and Michael Pangia (incorporated by reference to the Current Report on Form 8-K filed with the SEC on July 20, 2011, File No. 001-33278)
10.29*	Employment Agreement, dated December 30, 2010, between Aviat Networks, Inc. and John Madigan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on January 4, 2011, File No. 001-33278)
10.30*	Employment Agreement, dated December 29, 2014, between Aviat Networks, Inc. and Michael Shahbazian (incorporated by reference to the Current Report on Form 8-K filed with the SEC on December 29, 2014, File No. 001-33278)
10.31*	Employment Agreement, dated April 29, 2015, between Aviat Networks, Inc. and Ralph S. Marimon (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on May 14, 2015, File No. 001-33278)
10.32	Letter Agreement, dated as of January 11, 2015, among Aviat Networks, Inc., Steel Partners Holdings L.P., Lone Star Value Management, LLC and certain other parties (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on January 12, 2015, File No. 001-33278)
16.1	Intentionally omitted
16.2	Letter from KPMG LLP to the Securities and Exchange Commission dated February 26, 2015 (incorporated by reference to Exhibit 16.1 to the Current Report on Form 8-K filed with the SEC on March 3, 2015)

21	List of Subsidiaries of Aviat Networks, Inc.
23.1	Consent of BDO USA, LLP
23.2	Consent of KPMG LLP
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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

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