

HARRIS CORP /DE/
Form 10-K
August 25, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 27, 2014

OR

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

For the transition period from _____ to _____
Commission File Number 1-3863

HARRIS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

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

1025 West NASA Boulevard

Melbourne, Florida
(Address of principal executive offices)

32919
(Zip Code)

Registrant's telephone number, including area code: (321) 727-9100

Securities Registered Pursuant to Section 12(b) of the Act:

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

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

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

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

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

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

The aggregate market value of the voting common equity held by non-affiliates of the registrant was \$7,473,837,008 (based upon the quoted closing sale price per share of the stock on the New York Stock Exchange) on the last business day of the registrant's most recently completed second fiscal quarter (December 27, 2013). For purposes of this calculation, the registrant has assumed that its directors and executive officers as of December 27, 2013 are affiliates.

The number of shares outstanding of the registrant's common stock as of August 22, 2014 was 104,769,240.

Documents Incorporated by Reference:

Portions of the registrant's definitive Proxy Statement for the 2014 Annual Meeting of Shareholders scheduled to be held on October 24, 2014, which will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended June 27, 2014, are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent described therein.

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Cautionary Statement Regarding Forward-Looking Statements

This Annual Report on Form 10-K (this Report), including Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they do not materialize or prove correct, could cause our results to differ materially from those expressed in or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including, but not limited to, statements concerning: our plans, strategies and objectives for future operations; new products, systems, technologies, services or developments; future economic conditions, performance or outlook; the outcome of contingencies; the potential level of share repurchases or dividends; the value of our contract awards and programs; expected cash flows or capital expenditures; our beliefs or expectations; activities, events or developments that we intend, expect, project, believe or anticipate will or may occur in the future; and assumptions underlying any of the foregoing. Forward-looking statements may be identified by their use of forward-looking terminology, such as believes, expects, may, should, would, intends, plans, estimates, anticipates, projects and similar words or expressions. You should not place undue reliance on these forward-looking statements, which reflect our management’s opinions only as of the date of the filing of this Report and are not guarantees of future performance or actual results. Factors that might cause our results to differ materially from those expressed in or implied by these forward-looking statements, from our current expectations or projections or from our historical results include, but are not limited to, those discussed in Item 1A. Risk Factors of this Report. All forward-looking statements are qualified by, and should be read in conjunction with, those risk factors. Forward-looking statements are made in reliance on the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), and are made as of the date of filing of this Report, and we disclaim any intention or obligation, other than imposed by law, to update or revise any forward-looking statements, whether as a result of new information, future events or developments or otherwise, after the date of filing of this Report or, in the case of any document incorporated by reference, the date of that document.

PART I

ITEM 1. BUSINESS.

HARRIS

Harris Corporation, together with its subsidiaries, is an international communications and information technology company serving government and commercial markets in more than 125 countries. We are dedicated to developing best-in-class *assured communications*® products, systems and services for global markets, including RF communications, integrated network solutions and government communications systems.

Harris Corporation was incorporated in Delaware in 1926 as the successor to three companies founded in the 1890s. Our principal executive offices are located at 1025 West NASA Boulevard, Melbourne, Florida 32919, and our telephone number is (321) 727-9100. Our common stock is listed on the New York Stock Exchange under the symbol HRS. On June 27, 2014, we had approximately 14,000 employees. Unless the context otherwise requires, the terms we, our, us, Company and Harris as used in this Report refer to Harris Corporation and its subsidiaries.

General

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

- RF Communications, serving (i) U.S. Department of Defense and International Tactical Communications and (ii) Public Safety and Professional Communications markets;
- Integrated Network Solutions, serving (i) IT Services, (ii) Managed Satellite and Terrestrial Communications Solutions and (iii) Commercial Healthcare Solutions markets; and
- Government Communications Systems, serving (i) Civil, (ii) National Intelligence and (iii) Defense markets.

In the third quarter of fiscal 2012, our Board of Directors approved a plan to exit our cyber integrated solutions operation (CIS), which provided remote cloud hosting, and to dispose of the related assets, and we completed the sale of the remaining assets of CIS in the first quarter of fiscal 2014. In the fourth quarter of fiscal 2012, our Board of Directors approved a plan to divest our broadcast communications operation (Broadcast Communications), which provided digital media management solutions in support of broadcast customers, and we completed the sale of Broadcast Communications in the third quarter of fiscal 2013. Both CIS and Broadcast Communications were formerly part of our Integrated Network Solutions segment. For additional information regarding discontinued operations, see *Note 3: Discontinued Operations* in

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the Notes to Consolidated Financial Statements in this Report (the "Notes"). Except for disclosures related to our cash flows, or unless otherwise specified, disclosures in this Report relate solely to our continuing operations.

At the beginning of the first quarter of fiscal 2014, to leverage the breadth of our information technology ("IT") enterprise network and information assurance capabilities for the IT services market, we began managing our cyber security network testing operation as part of our Integrated Network Solutions segment rather than our Government Communications Systems segment. As a result, we reassigned \$2.4 million of goodwill (determined on a relative fair value basis) to our Integrated Network Solutions segment from our Government Communications Systems segment. The historical results, discussion and presentation of our business segments as set forth in this Report have been adjusted to reflect the impact of this change to our business segment reporting structure for all periods presented in this Report.

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

Financial Information About Our Business Segments

Financial information with respect to our business segments, including revenue, operating income or loss and total assets, and with respect to our operations outside the United States, is contained in *Note 23: Business Segments* in the Notes and is incorporated herein by reference.

Description of Business by Segment

RF Communications

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

U.S. Department of Defense and International Tactical Communications Market: We design, develop and manufacture a comprehensive line of secure radio communications products and systems for manpack, handheld, vehicular, airborne, strategic fixed-site and shipboard installations that span the communications architecture from High Capacity Line of Site, backbone radios to small soldier personal radios and tablet computers. The radios operate in various radio frequency bands, including high-frequency ("HF"), very high-frequency ("VHF"), ultra high-frequency ("UHF") and L-band, with higher frequencies supported for some of our network backbone products. Our radio systems are highly flexible, interoperable and capable of supporting diverse mission requirements. Our Falcon® families of tactical radios are built on software-defined radio platforms that are reprogrammable to add features or software upgrades. Our Falcon radios also have the highest grade embedded encryption and provide highly mobile, secure and reliable network communications capability without relying on a fixed infrastructure. This capability allows warfighters, for example, to remain connected with each other and their command structures and support organizations. It also provides them the ability to communicate information and maintain situational awareness of both friendly and opposing forces, which are critical to both the safety and success of their missions. Our radio systems have been widely deployed throughout all branches of the U.S. Department of Defense ("DoD") and, in the international market, have been sold to more than 100 countries through our international distribution channels consisting of regional sales offices and a broad dealer network and have become the standard in many of those countries.

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

Our Falcon III® family of radios is the next generation of multiband, multi-mission tactical radios supporting U.S. and international network-centric operations worldwide. Our Falcon III radios address the full range of current mission and interoperability requirements and are fully upgradeable to address changing technical standards and mission requirements of the future. Advances in our Falcon III radios include the support of wideband networking

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waveforms, extended frequency range and significant reductions in weight and size compared with previous generations. Our Falcon III radios are used in a wide variety of ground, vehicular and airborne applications and include the following:

- Our multiband manpack radio, the AN/PRC-117G (117G), which provides wideband networking capability, enabling enhanced situational awareness through high-bandwidth applications such as streaming video, simultaneous voice and data feeds, collaborative chat and connectivity to secure networks, and which is National Security Agency (NSA) Type-1-certified for narrowband communications, as well as for wideband communications using our Harris-developed Adaptive Networking Wideband Waveform (ANW2) for high bandwidth data operation and the U.S. military Joint Tactical Radio System (JTRS) Soldier Radio Waveform (SRW);
- Our 2-channel vehicular radio system, the AN/VRC-118 (118), which uses the DoD-developed Wideband Networking Waveform (WNW) over L-band, and which we began shipping in fiscal 2014 under the U.S. Army JTRS Mid-Tier Networking Vehicular Radio (MNVR) program;
- Our multiband handheld radios, the AN/PRC-152 (152), which is the world's most widely fielded JTRS-approved software-defined handheld radio and offers a wide range of capabilities, and the AN/PRC-152A (152A), which builds on our 152 by adding wideband, networked communications capability and is the first radio of its kind to support both a full range of narrowband legacy waveforms and wideband networking waveforms in a handheld platform; and
- Our multi-channel manpack radio, the RF-340M (340M), which is the first and only commercially developed, NSA Type-1-certified radio offering two channels integrated into the same chassis, and our wideband rifleman team radio, the RF-330E (330E), which is the commercially developed U.S. variant of our widely fielded international soldier personal radio.

In fiscal 2014, we continued to invest to position ourselves for tactical radio modernization opportunities, for example, in developing our 340M and 330E and in incorporating the powerful Mobile User Objective System (MUOS) waveform into our products. Our 340M and 330E are our next-generation solutions for the U.S. Army JTRS Handheld, Manpack and Small Form Factor tactical radio (HMS) program, for which the U.S. Army has officially changed its procurement strategy to full and open competition and a multi-vendor award, allowing us an opportunity to compete. We received the first order for our 340M from a DoD customer in fiscal 2014, and our receipt of NSA certification was a significant milestone needed for deliveries to begin. MUOS is the DoD's next-generation military satellite communications (SATCOM) system that will deliver cellular-based service through tactical radios. We are embedding MUOS capability in our 340M, as well as offering it as a separate simple and fast software upgrade for widely fielded 117Gs, creating an opportunity for the DoD to transition its 117G inventory to MUOS-capable radios and quickly maximize the use of the satellite infrastructure.

Examples of significant awards for us in fiscal 2014 included the following:

- 5-year multi-vendor, Indefinite Delivery Indefinite Quantity (IDIQ) contracts from the U.S. Army for SRW vehicular appliqué systems, with a potential total value of \$988 million;
- A 2-year, \$141 million sole-source, IDIQ contract from the U.S. Army for the MNVR program, with an initial order of \$8 million for up to 232 radio systems;
- An \$847 million increase in the ceiling value of our sole-source, IDIQ contract with the U.S. Army Communications-Electronics Command (CECOM), which supports international sales of tactical radio systems under the U.S. Government's Foreign Military Sales program; and
- A number of significant international orders, many of which are a part of multi-year programs or larger opportunities, across a broad customer base, including a \$100 million follow-on order from Australia; orders of \$82 million and \$49 million from two countries in Asia, \$78 million from a country in Central Asia and \$14 million from the Philippines; orders of \$49 million and \$15 million from two countries in the Middle East; orders of \$36 million and \$21 million from two NATO countries; and a \$28 million order from a country in Latin America.

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

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

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

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

We are designing and building the Alberta First Responders Radio Communications System that will provide public safety communications within the 256,000 square-mile Province of Alberta, Canada;

We are deploying a communications network for the San Francisco Municipal Transportation Authority to increase operational efficiencies, improve safety and provide interoperability with public safety agencies;

We are deploying an APCO P25 system for the U.S. Marine Corps Installations East region that also will provide interoperability with civilian agencies; and

We are designing and deploying a VIDA network system for the Trinidad and Tobago Ministry of National Security that will improve voice and data communication and provide interoperability among first responders and the Ministry's agencies.

Revenue, Operating Income and Backlog: Revenue for our RF Communications segment decreased 1.1 percent to \$1,828 million in fiscal 2014 compared with \$1,849 million in fiscal 2013, and was \$2,144 million in fiscal 2012. Segment operating income decreased 2.7 percent to \$561.5 million in fiscal 2014 compared with \$576.9 million in fiscal 2013, and was \$703.7 million in fiscal 2012. The percentage of our revenue contributed by this segment was 36 percent in fiscal 2014 compared with 36 percent in fiscal 2013 and 39 percent in fiscal 2012. The percentage of this segment's revenue that was derived outside of the U.S. was approximately 54 percent in fiscal 2014 compared with approximately 44 percent in fiscal 2013 and 40 percent in fiscal 2012. The percentage of this segment's revenue that was derived from sales to U.S. Government customers, including the DoD and intelligence and civilian agencies, as well as foreign military sales funded through the U.S. Government, whether directly or through prime contractors was approximately 46 percent in fiscal 2014 compared with approximately 43 percent in fiscal 2013 and 46 percent in fiscal 2012. For a general description of our U.S. Government contracts and subcontracts, including a discussion of revenue generated thereunder and of cost-reimbursable versus fixed-price contracts, see Item 1. Business Principal Customers; Government Contracts of this Report.

In general, this segment's domestic products are sold and serviced directly to customers through its sales organization and through established distribution channels. Internationally, this segment markets and sells its products and services through regional sales offices and established distribution channels. For a general description of our international business, see Item 1. Business International Business of this Report.

The funded backlog for this segment was \$1,134 million at the end of fiscal 2014 compared with \$1,341 million at the end of fiscal 2013 and \$1,300 million at the end of fiscal 2012. Additional information regarding funded backlog is provided under Item 1. Business Funded and Unfunded Backlog of this Report. For a discussion of certain risks affecting this segment, including risks relating to our U.S. Government contracts and subcontracts, see Item 1. Business Principal Customers; Government Contracts, Item 1A. Risk Factors and Item 3. Legal Proceedings of this Report.

Integrated Network Solutions

Integrated Network Solutions provides integrated communications and information technology (IT) and services, including a variety of trusted networking capabilities, to support government, energy, maritime and healthcare customers. Integrated Network Solutions serves (i) IT Services, (ii) Managed Satellite and Terrestrial Communications Solutions and (iii) Commercial Healthcare Solutions markets.

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

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

We are providing operations and maintenance support at locations around the world for the communications functions for the U.S. Air Force 50th Space Wing's Satellite Control Network, a global, continuously operational network of ground stations, operational control nodes and communications links that support launch and command and control (C2) of various space programs managed by the DoD and other national security space organizations, under the Network and Space Operations and Maintenance (NSOM) program, and we are a leader in satellite mission C2 systems, which feature COTS design and high levels of flexibility, are designed for government and commercial applications, and support single-satellite missions as well as some of the largest and most complex satellite fleets deployed;

We are providing the Government of Canada with engineering and logistics services to support the avionics systems on the CF-18 Hornet fighter aircraft under the CF-18 Avionics Optimized Weapon System Support program;

We are providing IT integration of installation, training, help desk, passport and configuration management services for the U.S. Department of State under the Consular Affairs Support Services Contract in support of more than 240 U.S. embassies and consulates around the world;

We are providing comprehensive operational and system maintenance support and engineering and technology enhancements for the Defense Information Systems Agency Crisis Management System;

We are providing enterprise IT support services to the North American Air Defense Command and the U.S. Northern Command; and

We are (i) providing electronic health record interoperability to enhance continuity of care between the DoD and the Department of Veterans Affairs (VA), (ii) designing and installing a wireless network for VA medical centers and (iii) improving electronic data interoperability for claims processing, as one of eight companies in the large business category awarded the 5-year Transformation Twenty-One Total Technology (T4) IDIQ contract vehicle from the VA designed to upgrade the VA's IT system and covering services to streamline and modernize VA operations, including patient care delivery at more than 150 VA hospitals.

Managed Satellite and Terrestrial Communications Solutions Market: Harris CapRock Communications is a global provider of end-to-end fully-managed hybrid communications network solutions to critical operations in remote and harsh locations for energy, maritime and government customers. We own and operate a robust global infrastructure that includes teleports on six continents; network operations centers running 24 hours per day, seven days per week; local presence in 23 countries; and over 275 global field service personnel supporting customer locations in more than 80 countries across North America, Central and South America, Europe, Africa and Asia-Pacific. Our customers include major land-based and offshore energy, mining and engineering and construction companies; leading transocean shipping and cruise line companies; and government and military customers with defense and intelligence missions. We combine satellite, terrestrial and wireless technologies to provide comprehensive communications solutions that connect customers' remote sites with each other and with distant headquarters. Our solutions focus on voice, data and networking solutions for remote sites and are supported by a global managed satellite network.

Examples of our end-to-end fully-managed hybrid communications network solutions include the following:

We are providing complete turnkey managed satellite communications services, including all shipboard equipment, onboard IT system integration and satellite bandwidth, under multi-year agreements covering 150 vessels operating worldwide for one energy customer and over 100 vessels operating worldwide for another energy customer;

We are providing data, voice and internet service to drilling ships operating in offshore Brazil and satellite communications to drilling ships operating in offshore Norway;

We are delivering turnkey managed satellite communications to a fleet of 53 offshore supply vessels operating in the North Sea, Brazil, Australia and Indian Pacific regions and managed communication services on over 300 commercial shipping and service vessels;

We are providing dual-band satellite voice, data and internet services for a major cruise line across its fleet of 103 ships and providing global communications services onboard 34 cruise ships for another major cruise line to improve overall communications performance and enhance guest and crew experiences; and

We are providing managed service networks leveraging 2 GHz of C-, Ku-, UHF- and X-band commercial space segment capacity for monitoring and control, teleport services, terrestrial communications, operations and maintenance to DoD agency customers operating around the world and to classified customers, supporting a range of missions, including airborne intelligence, surveillance and reconnaissance (ISR), tactical field-deployed communications and continuity of operations.

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Commercial Healthcare Solutions Market: We offer commercial and international healthcare providers a full range of interoperability and business intelligence solutions. Our interoperability solutions include FusionFX®, our new vendor-neutral integrated suite of software tools that advances our previous interoperability platform by incorporating a new service-oriented architecture foundation and that integrates with leading electronic health record and other legacy systems to securely bring together patient information from across the continuum of care and makes it available to clinical teams for value-based, accountable and coordinated care. We released FusionFX in fiscal 2014 and have been increasing the numbers of live hospital deployments and system users.

Revenue, Operating Income and Backlog: Revenue for our Integrated Network Solutions segment decreased 7.2 percent to \$1,463 million in fiscal 2014 compared with \$1,576 million in fiscal 2013, and was \$1,610 million in fiscal 2012. Segment operating income increased 45.9 percent to \$116.4 million in fiscal 2014 compared with \$79.8 million in fiscal 2013, and was \$72.4 million in fiscal 2012. The percentage of our revenue contributed by this segment was 29 percent in fiscal 2014 compared with 31 percent in fiscal 2013 and 30 percent in fiscal 2012. The percentages of this segment's revenue under contracts directly with end customers and under contracts with prime contractors were approximately 77 percent and 23 percent, respectively, in fiscal 2014 compared with approximately 78 percent and 22 percent, respectively, in fiscal 2013 and 80 percent and 20 percent, respectively, in fiscal 2012. The percentage of this segment's revenue that was derived outside of the U.S. was approximately 33 percent in fiscal 2014 compared with approximately 30 percent in fiscal 2013 and 27 percent in fiscal 2012. The percentages of this segment's revenue in a particular fiscal year represented by this segment's largest U.S. Government program by revenue in such fiscal year and five largest U.S. Government programs by revenue in such fiscal year were approximately 9 percent and 28 percent, respectively, in fiscal 2014 compared with approximately 9 percent and 29 percent, respectively, in fiscal 2013 and 9 percent and 30 percent, respectively, in fiscal 2012. The percentage of this segment's revenue that was derived from sales to U.S. Government customers, including the DoD and intelligence and civilian agencies, as well as foreign military sales funded through the U.S. Government, whether directly or through prime contractors, was approximately 60 percent in fiscal 2014 compared with approximately 62 percent in fiscal 2013 and 66 percent in fiscal 2012. For a general description of our U.S. Government contracts and subcontracts, including a discussion of revenue generated thereunder and of cost-reimbursable versus fixed-price contracts, see Item 1. Business Principal Customers; Government Contracts of this Report.

In general, this segment's domestic products are sold and serviced directly to customers through its sales organization and through established distribution channels. Internationally, this segment markets and sells its products and services through regional sales offices and established distribution channels. For a general description of our international business, see Item 1. Business International Business of this Report.

The funded backlog for this segment was \$973 million at the end of fiscal 2014 compared with \$934 million at the end of fiscal 2013 and \$964 million at the end of fiscal 2012. Unfunded backlog for this segment was \$921 million at the end of fiscal 2014 compared with \$1,118 million at the end of fiscal 2013 and \$1,242 million at the end of fiscal 2012. Additional information regarding funded and unfunded backlog is provided under Item 1. Business Funded and Unfunded Backlog of this Report. For a discussion of certain risks affecting this segment, including risks relating to our U.S. Government contracts and subcontracts, see Item 1. Business Principal Customers; Government Contracts, Item 1A. Risk Factors and Item 3. Legal Proceedings of this Report.

Government Communications Systems

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

Civil Market: We provide highly reliable, mission-critical communications and information processing systems that meet the most demanding needs of civilian U.S. Government agencies, including the Federal Aviation Administration (FAA) and the National Oceanic and Atmospheric Administration (NOAA). We use our ability to implement and manage large, complex programs that integrate secure, advanced communications and information processing technologies in order to improve productivity and to achieve cost savings for our customers. Our networks and information systems for large-scale, geographically dispersed enterprises offer advanced capabilities for collecting, processing, analyzing, interpreting, displaying, distributing, storing and retrieving data. We are a leader in satellite ground data processing, in which our systems consisting of complex suites of hardware and software receive sensor data from satellites and turn it into useable information.

As an example of our capabilities, we are the prime contractor and system architect under a 20-year contract awarded in July 2002, with a potential value of \$5 billion, for the FAA Telecommunications Infrastructure (FTI)

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program to integrate, modernize, operate and maintain the communications infrastructure for the U.S. air traffic control system. We designed and deployed, and are currently operating and maintaining, the FTI network, which is a fully operational, modern, secure and efficient network providing voice, data and video communications deployed at more than 4,500 FAA sites across the U.S.

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

7-year contracts, with an aggregate contract value of \$481 million, for the Data Communications Integrated Services (Datacomm) program (including the Data Communications Network Service component) to transform voice-based air traffic control to automated air traffic management;

A 15-year, \$291 million NextGen National Airspace System (NAS) Voice System (NVS) contract to create a modern Voice Over Internet Protocol (VoIP) network for communications among air traffic controllers, pilots and ground personnel; and

A 5-year, \$63 million NAS Enterprise Messaging Service (NEMS) IDIQ contract that provides the Systems Wide Information Management (SWIM) program with enterprise-wide data sharing for a variety of critical information such as flight planning, traffic flow, surface radar and weather.

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

Another example of our capabilities relates to the NOAA Geostationary Operational Environmental Satellite Series R (GOES-R) Ground and Antenna Segment weather programs. Under two 10-year contracts, with an aggregate potential value of approximately \$1 billion (including change orders), we are providing a complete, end-to-end solution to design, develop, deploy and operate the ground segment system that will receive and process satellite data and generate and distribute weather data to more than 10,000 direct users, as well as providing the command and control of operational satellites. We also are supplying antennas and control systems that will provide communications links for command, telemetry and sensor data, as well as the communications link to direct data users. The new antennas will operate with next-generation GOES-R satellites and will be compatible with existing GOES-N through GOES-P satellites. In fiscal 2013, the GOES-R weather program transitioned from the design and development phase to the integration, test and deployment phase.

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

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

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

For example, our image processing capabilities extend from algorithm development through delivery of operations systems, and we are providing advanced image exploitation and dissemination solutions for ISR applications by advancing image processing, image data fusion, display technologies and digital product generation

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techniques. Applicable technologies range from new techniques for merging and displaying imagery to automated techniques for image screening, cueing and remote visualization. Also, our mapping and visualization capabilities provide complete, accurate and timely knowledge about the threat, the terrain, the status and the location of single or multiple opposing and friendly forces and their support by utilizing data, pictures, voice and video drawn from vast storage banks or from real-time input which can be transmitted around the world in fractions of a second. In addition, we have industry-leading capabilities in the architecture, design and development of highly specialized satellite antennas, structures, phased arrays and on-board processors, which are used to enable next-generation satellite systems to provide the U.S. military and intelligence communities with strategic and tactical advantages. We are also a leader in the design and development of antenna and reflector technologies for commercial space telecommunications applications. With more than 50 reflectors in orbit, we are the leading supplier of large reflector apertures and deployable mesh antenna systems for government and commercial applications.

In fiscal 2014, we were awarded a number of new contracts and follow-on contracts under classified programs. In addition, we were awarded two 5-year, single-award IDIQ contracts, with an aggregate contract value of \$773 million, by the NGA for the Foundation GEOINT Content Management (FGCM) program to provide imagery products for two of three regions - \$365 million for Region A for the U.S. Pacific Command and U.S. Northern Command and \$408 million for Region C for the U.S. Africa Command and U.S. Southern Command (the Region C award, however, is currently under protest).

We also are leveraging our core capabilities to address adjacencies and create new opportunities. For example, we are supplying Aireon, LLC with 81 automatic dependent surveillance-broadcast (ADS-B) receiver payloads that will be part of a satellite-based aircraft tracking system to enhance global air traffic control. The payloads will be hosted on the Iridium NEXT satellite constellation but provide a capability separate from the main mission of the constellation, and we are adding other customers and increasing the number of payloads. In fiscal 2014, we received a \$63 million order for a new payload program on the Iridium NEXT satellite constellation, and in the first quarter of fiscal 2015, we were awarded a \$495 million multi-vendor IDIQ contract from the U.S. Air Force for the Hosted Payload Solutions (HoPS) program for commercial hosting capabilities for U.S. Government payloads, which provides us a contract vehicle to pursue additional opportunities.

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

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

The U.S. Army Modernization of Enterprise Terminals (MET) program, for which we are developing, under a ten-year contract awarded in fiscal 2009 with a potential value of \$600 million, next-generation large satellite earth stations to provide the worldwide backbone for high-priority military communications and missile defense systems and to support IP and Dedicated Circuit Connectivity within the Global Information Grid, providing critical reach-back capability for the warfighter (and which has started full-rate production); and

The F-35 Joint Strike Fighter (F-35) and F/A-18E/F Super Hornet (F/A-18E/F) aircraft platform programs, for which we provide high-performance, advanced avionics such as high-speed fiber optic networking and switching, intra-flight data links, image processing, digital map software and other electronic components, including Multifunction Advanced Data Link communications subsystems primarily intended for stealth platform air-to-air communications and which allow F-35s to communicate in a stealth fashion with other network nodes without revealing their positions.

In fiscal 2014, we were awarded an 8-year, single-award IDIQ follow-on contract for \$133 million for the U.S. Navy's Commercial Broadband Satellite program, bringing total potential program value to more than \$250 million; and a 5-year multi-vendor Communication Transmission Systems IDIQ contract from the U.S. Army to provide upgrades and maintenance of its terrestrial communications networks worldwide.

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Revenue, Operating Income and Backlog: Revenue for our Government Communications Systems segment increased 1.0 percent to \$1,801 million in fiscal 2014 compared with \$1,784 million in fiscal 2013, and was \$1,786 million in fiscal 2012. Segment operating income increased 9.9 percent to \$276.9 million in fiscal 2014 compared with \$252.0 million in fiscal 2013, and was \$253.3 million in fiscal 2012. The percentage of our revenue contributed by this segment was 36 percent in fiscal 2014 compared with 35 percent in fiscal 2013 and 33 percent in fiscal 2012. The percentages of this segment's revenue under contracts directly with end customers and under contracts with prime contractors were approximately 74 percent and 26 percent, respectively, in fiscal 2014 compared with approximately 73 percent and 27 percent, respectively, in fiscal 2013 and 69 percent and 31 percent, respectively, in fiscal 2012. In fiscal 2014, this segment had a diverse portfolio of over 200 programs. Some of this segment's more significant programs in fiscal 2014 included FTI, GOES-R, F-35, MET, wireless products, SGSS, Datacomm, hosted payloads and various classified programs. The percentages of this segment's revenue in a particular fiscal year represented by this segment's largest program by revenue in such fiscal year and ten largest programs by revenue in such fiscal year were approximately 14 percent and 53 percent, respectively, in fiscal 2014 compared with approximately 13 percent and 49 percent, respectively, in fiscal 2013 and 13 percent and 48 percent, respectively, in fiscal 2012. The percentage of this segment's revenue that was derived from sales to U.S. Government customers, including the DoD and intelligence and civilian agencies, as well as foreign military sales funded through the U.S. Government, whether directly or through prime contractors, was approximately 93 percent in fiscal 2014 compared with approximately 93 percent in fiscal 2013 and 97 percent in fiscal 2012. For a general description of our U.S. Government contracts and subcontracts, including a discussion of revenue generated thereunder and of cost-reimbursable versus fixed-price contracts, see Item 1. Business Principal Customers; Government Contracts of this Report.

The funded backlog for this segment was \$918 million at the end of fiscal 2014 compared with \$948 million at the end of fiscal 2013 and \$842 million at the end of fiscal 2012. Unfunded backlog for this segment was \$3,263 million at the end of fiscal 2014 compared with \$2,492 million at the end of fiscal 2013 and \$2,695 million at the end of fiscal 2012. Additional information regarding funded and unfunded backlog is provided under Item 1. Business Funded and Unfunded Backlog of this Report. For a discussion of certain risks affecting this segment, including risks relating to our U.S. Government contracts and subcontracts, see Item 1. Business Principal Customers; Government Contracts, Item 1A. Risk Factors and Item 3. Legal Proceedings of this Report.

International Business

Revenue from products and services exported from the U.S. (including foreign military sales) or manufactured or rendered abroad was \$1,482 million (30 percent of our revenue) in fiscal 2014 compared with \$1,313 million (26 percent of our revenue) in fiscal 2013 and \$1,330 million (24 percent of our revenue) in fiscal 2012. Essentially all of our international sales are derived from our RF Communications and Integrated Network Solutions segments. Direct export sales are primarily denominated in U.S. Dollars, whereas sales from foreign subsidiaries are generally denominated in the local currency of the subsidiary. Financial information regarding our domestic and international operations is contained in *Note 23: Business Segments* in the Notes and is incorporated herein by reference.

The majority of our international marketing activities are conducted through subsidiaries which operate in Canada, Europe, the Middle East, Central and South America, Africa and Asia. We have also established international marketing organizations and several regional sales offices. For further information regarding our international subsidiaries, see Exhibit 21 of this Report.

We utilize indirect sales channels, including dealers, distributors and sales representatives, in the marketing and sale of some lines of products and equipment, both domestically and internationally. These independent representatives may buy for resale or, in some cases, solicit orders from commercial or governmental customers for direct sales by us. Prices to the ultimate customer in many instances may be recommended or established by the independent representative and may be above or below our list prices. Our dealers and distributors generally receive a discount from our list prices and may mark up those prices in setting the final sales prices paid by the customer. The percentages of our total revenue and of our international revenue represented by revenue from indirect sales channels were approximately 13 percent and 40 percent, respectively, in fiscal 2014 compared with approximately 10 percent and 33 percent, respectively, in fiscal 2013 and 12 percent and 48 percent, respectively, in fiscal 2012.

Fiscal 2014 international revenue came from a large number of countries, and no such single country accounted for more than 3 percent of our total revenue. Some of our exports are paid for by letters of credit, with the balance carried either on an open account or installment note basis. Advance payments, progress payments or other similar payments received prior to or upon shipment often cover most of the related costs incurred. Significant foreign government contracts generally require us to provide performance guarantees. In order to stay competitive in international markets, we also sometimes enter into offset agreements or recourse or vendor financing arrangements to facilitate sales to certain customers.

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

Competition

We operate in highly competitive markets that are sensitive to technological advances. Many of our competitors in each of our markets are larger than we are and can maintain higher levels of expenditures for research and development. In each of our markets, we concentrate on the opportunities that our management believes are compatible with our resources, overall technological capabilities and objectives. Principal competitive factors in these markets are product quality and reliability; technological capabilities; service; past performance; ability to develop and implement complex, integrated solutions; ability to meet delivery schedules; the effectiveness of third-party sales channels in international markets; and cost-effectiveness.

In the RF Communications segment, principal competitors include Airbus DS Communications (formerly Cassidian Communications, an Airbus Group company), Aselsan A.S., Bharat Electronics Limited, Elbit Systems Ltd., Exelis Inc., General Dynamics Corporation, JVC Kenwood Corporation, Motorola Solutions, Inc., Rockwell Collins, Inc., the Rohde & Schwarz Group, Selex ES (a Finmeccanica Group company), Tait Ltd. and Thales Group.

In the Integrated Network Solutions segment, principal competitors include Astrium Services Government, Inc. (an Airbus Group company), Computer Sciences Corporation, Engility Holdings, Inc., Exelis Inc., General Dynamics Corporation, Leidos Holdings, Inc., Lockheed Martin Corporation, MTN, Northrop Grumman Corporation, Raytheon Company and RigNet, Inc.

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

Principal Customers; Government Contracts

The percentage of our revenue that was derived from sales to U.S. Government customers, including the DoD and intelligence and civilian agencies, as well as foreign military sales funded through the U.S. Government, whether directly or through prime contractors, was approximately 67 percent in fiscal 2014 compared with approximately 67 percent in fiscal 2013 and 70 percent in fiscal 2012. No other customer accounted for more than 4 percent of our revenue in fiscal 2014. Additional information regarding customers for each of our segments is provided under Item 1. Business Description of Business by Segment of this Report. Our U.S. Government sales are predominantly derived from contracts with agencies of, and prime contractors to, the U.S. Government. Most of the sales in our Government Communications Systems segment and with respect to U.S. Government programs in our Integrated Network Solutions segment are made directly or indirectly to the U.S. Government under contracts or subcontracts containing standard government contract clauses providing for redetermination of profits, if applicable, and for termination for the convenience of the U.S. Government or for default based on performance.

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

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

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

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

Funded and Unfunded Backlog

Our total Company-wide funded and unfunded backlog was approximately \$7,202 million at the end of fiscal 2014 compared with approximately \$6,789 million at the end of fiscal 2013 and \$6,993 million at the end of fiscal 2012. The funded portion of this backlog was approximately \$3,018 million at the end of fiscal 2014 compared with approximately \$3,179 million at the end of fiscal 2013 and \$3,056 million at the end of fiscal 2012. The determination of backlog involves substantial estimating, particularly with respect to customer requirements contracts and development and production contracts of a cost-reimbursable or incentive nature.

We define funded backlog as unfilled firm orders for products and services for which funding has been authorized and, in the case of U.S. Government agencies, appropriated. We define unfunded backlog as primarily unfilled firm contract value for which funding has not yet been authorized or, in the case of U.S. Government agencies, appropriated, including the value of contract options in cases of material contracts that have options we believe are probable of being exercised, as well as the most probable value of material sole-source IDIQ contracts awarded for a specific limited purpose. In fiscal 2015, we expect to fill approximately 59 percent of our total funded backlog as of June 27, 2014. However, we can give no assurance of such fulfillment or that our funded backlog will become revenue in any particular period, if at all. Backlog is subject to delivery delays and program cancellations, which are beyond our control. Additional information with regard to the backlog of each of our segments is provided under Item 1. Business Description of Business by Segment of this Report.

Research and Development

Research and development expenditures totaled approximately \$865 million in fiscal 2014, \$900 million in fiscal 2013 and \$838 million in fiscal 2012. Company-sponsored research and development costs, which included research and development for commercial products and services and independent research and development related to government products and services, as well as concept formulation studies and technology development that occurs on bid and proposal efforts, were approximately \$264 million in fiscal 2014, \$254 million in fiscal 2013 (including an approximately \$18 million write-off of capitalized software in our Integrated Network Solutions segment) and \$219 million in fiscal 2012. A portion of our independent research and development costs are allocated among contracts and programs in process under U.S. Government contractual arrangements. Company-sponsored research and development costs not otherwise allocable are charged to expense when incurred. The portion of total research and

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development expenditures that was not Company-sponsored principally funded by the U.S. Government and included in our revenue and cost of product sales and services was \$601 million in fiscal 2014, \$646 million in fiscal 2013 and \$619 million in fiscal 2012. Company-sponsored research is directed to the development of new products and services and to building technological capability in selected communications and electronic systems markets. U.S. Government-funded research helps strengthen and broaden our technical capabilities. As of June 27, 2014, we employed approximately 6,000 engineers and scientists and are continuing efforts to make the technologies developed in any of our business segments available for all other business segments.

Patents and Other Intellectual Property

We consider our patents and other intellectual property, in the aggregate, to constitute an important asset. We own a large and valuable portfolio of patents, trade secrets, know-how, confidential information, trademarks, copyrights and other intellectual property, and we routinely apply for new patents, trademarks and copyrights. We also license intellectual property to and from third parties. As of June 27, 2014, we held approximately 1,100 U.S. patents and 1,070 foreign patents, and had approximately 340 U.S. patent applications pending (and 640 foreign patent applications pending). Unpatented research, development and engineering skills also make an important contribution to our business. Although our intellectual property rights in the aggregate are important to our business and the operations of our business segments, we do not consider our business or any business segment to be materially dependent on any single patent, license or other intellectual property right, or any group of related patents, licenses or other intellectual property rights. We are engaged in a proactive patent licensing program and have entered into a number of licenses and cross-license agreements, some of which generate royalty income. Although existing license agreements have generated income in past years and may do so in the future, there can be no assurances we will enter into additional income-producing license agreements. From time to time we engage in litigation to protect our patents and other intellectual property. Any of our patents, trade secrets, trademarks, copyrights and other proprietary rights could be challenged, invalidated or circumvented, or may not provide competitive advantages. For further discussion of risks relating to intellectual property, see Item 1A. Risk Factors of this Report. With regard to certain patents relating to our Government Communications Systems and RF Communications segments, the U.S. Government has an irrevocable, non-exclusive, royalty-free license, pursuant to which the U.S. Government may use or authorize others to use the inventions covered by such patents. Pursuant to similar arrangements, the U.S. Government may consent to our use of inventions covered by patents owned by other persons. Numerous trademarks used on or in connection with our products are also considered to be a valuable asset.

Environmental and Other Regulations

Our facilities and operations are subject to numerous domestic and international laws and regulations designed to protect the environment, particularly with regard to wastes and emissions. The applicable environmental laws and regulations are common within the industries and markets in which we operate and serve. We believe that we have complied with these requirements and that such compliance has not had a material adverse effect on our financial condition, results of operations or cash flows. Based on currently available information, we do not expect expenditures over the next several years to protect the environment and to comply with current environmental laws and regulations, as well as to comply with current and pending climate control legislation, regulation, treaties and accords, to have a material impact on our competitive position or financial condition, but we can give no assurance that such expenditures will not exceed current expectations. If future treaties, laws and regulations contain more stringent requirements than presently anticipated, actual expenditures may be higher than our present estimates of those expenditures. We have installed waste treatment facilities and pollution control equipment to satisfy legal requirements and to achieve our waste minimization and prevention goals. We did not spend material amounts on environmental capital projects in fiscal 2014, fiscal 2013 or fiscal 2012. A portion of our environmental expenditures relates to historic discontinued operations (other than CIS and Broadcast Communications) for which we have retained certain environmental liabilities. We currently expect that amounts to be spent for environmental-related capital projects will not be material in fiscal 2015. These amounts may increase in future years. Additional information regarding environmental and regulatory matters is set forth in Item 3. Legal Proceedings of this Report and in *Note 1: Significant Accounting Policies* in the Notes.

Electronic products are subject to governmental environmental regulation in a number of jurisdictions, such as domestic and international requirements requiring end-of-life management and/or restricting materials in products delivered to customers, including the European Union's Directive 2002/96/EC on Waste Electrical and Electronic Equipment and Directive 2002/95/EC on the Restriction of the use of certain Hazardous Substances in Electrical and Electronic Equipment (RoHS), as amended. Other jurisdictions have adopted similar legislation. Such requirements typically are not applicable to most equipment produced by our Government Communications Systems and RF Communications segments. We believe that we have complied with such rules and regulations, where applicable, with respect to our existing products sold into such jurisdictions. We intend to comply with such rules and regulations with respect to our future products.

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

Raw Materials and Supplies

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

Seasonality

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

Employees

We had approximately 14,000 employees at the end of fiscal 2014. Approximately 91 percent of our employees as of the end of fiscal 2014 were located in the U.S. A significant number of our employees possess a U.S. Government security clearance. We also utilize a number of independent contractors. None of our employees in the U.S. is represented by a labor union. In certain international subsidiaries, our employees are represented by workers councils or statutory labor unions. In general, we believe that our relations with our employees are good.

Website Access to Harris Reports; Available Information

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

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

Corporate Governance Guidelines and Committee Charters. We previously adopted Corporate Governance Guidelines, which are available on the Corporate Governance section of our website at http://harris.com/corporate_governance/. In addition, the charters of each of the standing committees of our Board, namely, the Audit Committee, Business Conduct and Corporate Responsibility Committee, Corporate Governance Committee, Finance Committee and Management Development and Compensation Committee, are also available on the Corporate Governance

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section of our website. A copy of the charters is also available free of charge upon written request to our Secretary at Harris Corporation, 1025 West NASA Boulevard, Melbourne, Florida 32919.

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Certifications. We have filed with the SEC the certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to this Report. In addition, an annual CEO certification was submitted by our Chief Executive Officer to the New York Stock Exchange (NYSE) in October 2013 in accordance with the NYSE s listing standards, which included a certification that he was not aware of any violation by Harris of the NYSE s corporate governance listing standards.

ITEM 1A. RISK FACTORS.

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

We depend on U.S. Government customers for a significant portion of our revenue, and the loss of these relationships, a reduction in U.S. Government funding or a change in U.S. Government spending priorities could have an adverse impact on our business, financial condition, results of operations and cash flows.

We are highly dependent on sales to U.S. Government customers. The percentage of our revenue that was derived from sales to U.S. Government customers, including the DoD and intelligence and civilian agencies, as well as foreign military sales funded through the U.S. Government, whether directly or through prime contractors, was approximately 67 percent in fiscal 2014, 67 percent in fiscal 2013 and 70 percent in fiscal 2012. Therefore, any significant disruption or deterioration of our relationship with the U.S. Government would significantly reduce our revenue. Our competitors continuously engage in efforts to expand their business relationships with the U.S. Government and will continue these efforts in the future, and the U.S. Government may choose to use other contractors. We expect that a majority of the business that we seek will be awarded through competitive bidding. The U.S. Government has increasingly relied on certain types of contracts that are subject to multiple competitive bidding processes, including multi-vendor IDIQ, GWAC, General Services Administration Schedule and other multi-award contracts, which has resulted in greater competition and increased pricing pressure. We operate in highly competitive markets and our competitors may have more extensive or more specialized engineering, manufacturing and marketing capabilities than we do in some areas, and we may not be able to continue to win competitively awarded contracts or to obtain task orders under multi-award contracts. Further, the competitive bidding process involves significant cost and managerial time to prepare bids and proposals for contracts that may not be awarded to us, as well as the risk that we may fail to accurately estimate the resources and costs required to fulfill any contract awarded to us. Following any contract award, we may experience significant expense or delay, contract modification or contract rescission as a result of our competitors protesting or challenging contracts awarded to us in competitive bidding. Our U.S. Government programs must compete with programs managed by other government contractors and with other policy imperatives for consideration for limited resources and for uncertain levels of funding during the budget and appropriation process. Budget and appropriations decisions made by the U.S. Government are outside of our control and have long-term consequences for our business. U.S. Government spending priorities and levels remain uncertain and difficult to predict and are affected by numerous factors, including sequestration (automatic, across-the-board U.S. Government budgetary spending cuts) and whether it will be superseded by alternate arrangements. A change in U.S. Government spending priorities or an increase in non-procurement spending at the expense of our programs, or a reduction in total U.S. Government spending, could have material adverse consequences on our future business. For more information regarding sequestration, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Business Considerations Industry-Wide Opportunities, Challenges and Risks of this Report.

We depend significantly on U.S. Government contracts, which often are only partially funded, subject to immediate termination, and heavily regulated and audited. The termination or failure to fund, or negative audit findings for, one or more of these contracts could have an adverse impact on our business, financial condition, results of operations and cash flows.

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

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

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

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

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

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

Disrupt the proper functioning of these networks and systems and therefore our operations and/or those of certain of our customers;

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

Any or all of the foregoing could have a negative impact on our business, financial conditions, results of operations and cash flows.

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

We have a number of fixed-price contracts, which allow us to benefit from cost savings, but subject us to the risk of potential cost overruns, particularly for firm fixed-price contracts because we assume all of the cost burden. If our initial estimates are incorrect, we can lose money on these contracts. U.S. Government contracts can expose us to potentially large losses because the U.S. Government can hold us responsible for completing a project or, in certain circumstances, paying the entire cost of its replacement by another provider regardless of the size or foreseeability of any cost overruns that occur over the life of the contract. Because many of these contracts involve new technologies and applications and can last for years, unforeseen events, such as technological difficulties, fluctuations in the price of raw materials, problems with our suppliers and cost overruns, can result in the contractual price becoming less favorable or even unprofitable to us over time. The U.S. and other countries also may experience a significant increase in inflation. A significant increase in inflation rates could have a significant adverse impact on the profitability of these contracts. Furthermore, if we do not meet contract deadlines or specifications, we may need to renegotiate contracts on less favorable terms, be forced to pay penalties or liquidated damages or suffer major losses if the customer exercises its right to terminate. In addition, some of our contracts have provisions relating to cost controls and audit rights, and if we fail to meet the terms specified in those contracts we may not realize their full benefits. Our results of operations are dependent on our ability to maximize our earnings from our contracts. Cost overruns could have an adverse impact on our financial results. The potential impact of such risk on our financial results would increase if the mix of our contracts and programs shifted toward a greater percentage of fixed-price contracts, particularly firm fixed-price contracts.

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

We are dependent on sales to customers outside the U.S. The percentage of our total revenue represented by revenue from products and services exported from the U.S. (including foreign military sales) or manufactured or rendered abroad was 30 percent in fiscal 2014, 26 percent in fiscal 2013 and 24 percent in fiscal 2012. Approximately 28 percent of our international business in fiscal 2014 was transacted in local currency. Losses resulting from currency rate fluctuations can adversely affect our results. We expect that international revenue will continue to account for a significant portion of our total revenue. Also, a significant portion of our international revenue is from, and an increasing portion of our business activity is being conducted in, less-developed countries. We are subject to risks of doing business internationally, including:

Currency exchange controls, fluctuations of currency and currency revaluations;
 The laws, regulations and policies of foreign governments relating to investments and operations, as well as U.S. laws affecting the activities of U.S. companies abroad, including the Foreign Corrupt Practices Act (FCPA);
 Changes in regulatory requirements, including business or operating license requirements, imposition of tariffs or embargoes, export controls and other trade restrictions;
 Uncertainties and restrictions concerning the availability of funding, credit or guarantees;
 The complexity and necessity of using, and disruptions involving our, international dealers, distributors, sales representatives and consultants;
 The difficulties of managing a geographically dispersed organization and culturally diverse workforces, including compliance with local laws and practices;
 Difficulties associated with repatriating cash generated or held abroad in a tax-efficient manner and changes in tax laws;
 Import and export licensing requirements and regulations, as well as unforeseen changes in export regulations;
 Uncertainties as to local laws and enforcement of contract and intellectual property rights and occasional requirements for onerous contract clauses; and

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Rapid changes in government, economic and political policies, political or civil unrest, acts of terrorism or the threat of international boycotts or U.S. anti-boycott legislation.

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

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

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

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

The continued effects of the general weakness in the global economy and the U.S. Government's budget deficits and national debt and sequestration could have an adverse impact on our business, financial condition, results of operations and cash flows.

The economies of the U.S. and many foreign countries in which we do business continue to show weakness or limited improvement. We are unable to predict the impact, severity and duration of these economic events. The continued effects of these economic events and the U.S. Government's budget deficits and national debt and sequestration could have an adverse impact on our business, financial condition, results of operations and cash flows in a number of ways. Possible effects of these economic conditions include the following:

The U.S. Government could reduce or delay its spending on, or reprioritize its spending away from, the government programs in which we participate;

The U.S. Government may be unable to complete its budget process before the end of its fiscal year on September 30 and thus would be required either to shut down or be funded pursuant to a continuing resolution that authorizes agencies of the U.S. Government to continue operations but does not authorize new spending initiatives, either of which could result in reduced or delayed orders or payments for products and services we provide. If the U.S. Government budget process results in a shutdown or prolonged operation under a continuing resolution, it may decrease our revenue, profitability or cash flows or otherwise have a material adverse effect on our business, financial condition and results of operations;

U.S. Government spending could be impacted by sequestration or alternate arrangements, which increases the uncertainty as to, and the difficulty in predicting, U.S. Government spending priorities and levels;

We may experience declines in revenue, profitability and cash flows as a result of reduced or delayed orders or payments or other factors caused by the economic problems of our customers and prospective customers (including U.S. Federal, state and local governments);

We may experience supply chain delays, disruptions or other problems associated with financial constraints faced by our suppliers and subcontractors; and

We may incur increased costs or experience difficulty with future borrowings under our commercial paper program or credit facilities or in the debt markets, or otherwise with financing our operating, investing (including any future acquisitions) or financing activities.

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

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

Identify emerging technological trends in our current and target markets;

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Develop and maintain competitive products, systems, services and technologies;
 Enhance our offerings by adding innovative hardware, software or other features that differentiate our products, systems, services and technologies from those of our competitors; and
 Develop, manufacture and bring to market cost-effective offerings quickly.

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

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

We participate in U.S. and international markets that are subject to uncertain economic conditions. In particular, U.S. Government spending priorities and levels remain uncertain and difficult to predict and are affected by numerous factors, including sequestration and whether it will be superseded by alternate arrangements. As a result, it is difficult to estimate the level of growth in the markets in which we participate. Because all components of our budgeting and forecasting are dependent on estimates of growth in the markets we serve, the uncertainty renders estimates of or guidance relating to future revenue, income and expenditures even more difficult. As a result, we may make significant investments and expenditures but never realize the anticipated benefits.

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

Ongoing instability and current conflicts in global markets, including in the Middle East and Asia, and the potential for other conflicts and future terrorist activities and other recent geo-political events throughout the world have created economic and political uncertainties that could have a material adverse effect on our business, operations and profitability. These matters cause uncertainty in the world's financial and insurance markets and may significantly increase the political, economic and social instability in the geographic areas in which we operate. These matters also may cause our insurance coverages and performance bonds to increase in cost, or in some cases, to be unavailable altogether.

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

Strategic acquisitions and divestitures that we have made in the past, and may continue to make, present significant risks and uncertainties, which include:

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

Potential loss of key employees or customers of the businesses acquired or to be divested;

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Risk that we are not able to complete strategic divestitures on satisfactory terms and conditions or within expected timeframes; and
Risk of diverting the attention of senior management from our existing operations.

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

We engage subcontractors on many of our contracts. We may have disputes with our subcontractors, including regarding the quality and timeliness of work performed by the subcontractor, customer concerns about the subcontract, our failure to extend existing task orders or issue new task orders under a subcontract, our hiring of the personnel of a subcontractor or vice versa or the subcontractor's failure to comply with applicable law. In addition, there are certain parts, components and services for many of our products and services which we source from other manufacturers or vendors. Some of our suppliers, from time to time, experience financial and operational difficulties, which may impact their ability to supply the materials, components, subsystems and services that we require. Our supply chain could also be disrupted by external events, such as natural disasters or other significant disruptions (including extreme weather conditions, medical epidemics, acts of terrorism, cyber attacks and labor disputes), governmental actions and legislative or regulatory changes (including product certification or stewardship requirements, sourcing restrictions, product authenticity and climate change or greenhouse gas emission standards). Any inability to develop alternative sources of supply on a cost-effective and timely basis could materially impair our ability to manufacture and deliver products and services to our customers. We can give no assurances that we will be free from disputes with our subcontractors, material supply problems or component, subsystems or services problems in the future. Also, our subcontractors and other suppliers may not be able to acquire or maintain the quality of the materials, components, subsystems and services they supply, which might result in greater product returns, service problems and warranty claims and could harm our business, financial condition, results of operations and cash flows.

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

Many of the markets we serve are characterized by vigorous protection and pursuit of intellectual property rights, which often has resulted in protracted and expensive litigation. Third parties have claimed in the past and may claim in the future that we are infringing directly or indirectly upon their intellectual property rights, and we may be found to be infringing or to have infringed directly or indirectly upon those intellectual property rights. Claims of intellectual property infringement might also require us to enter into costly royalty or license agreements. Moreover, we may not be able to obtain royalty or license agreements on terms acceptable to us, or at all. We also may be subject to significant damages or injunctions against development and sale of certain of our products, services and solutions. Our success depends in large part on our proprietary technology. We rely on a combination of patents, copyrights, trademarks, trade secrets, know-how, confidentiality provisions and licensing arrangements to establish and protect our intellectual property rights. If we fail to successfully protect and enforce these rights, our competitive position could suffer. Our pending patent and trademark registration applications may not be allowed, or competitors may challenge the validity or scope of our patents or trademark registrations. In addition, our patents may not provide us a significant competitive advantage. We may be required to spend significant resources to monitor and police our intellectual property rights. We may not be able to detect infringement and our competitive position may be harmed before we do so. In addition, competitors may design around our technology or develop competing technologies.

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

From time to time, we are defendants in a number of litigation matters and are involved in a number of arbitrations. These actions may divert financial and management resources that would otherwise be used to benefit our operations. No assurances can be given that the results of these or new matters will be favorable to us. An adverse resolution of lawsuits or arbitrations could have a material adverse effect on our financial condition, results of operations and cash flows.

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

We are exposed to liabilities that are unique to the products and services we provide. A significant portion of our business relates to designing, developing and manufacturing advanced defense, technology and communications systems and products. New technologies associated with these systems and products may be untested or unproven. Components of certain of the defense systems and products we develop are inherently dangerous. Failures of satellites, missile systems, air traffic control systems, homeland security applications and aircraft have the potential to cause loss of life and extensive property damage. In most circumstances, we may receive indemnification from the

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U.S. Government. While we maintain insurance for certain risks, the amount of our insurance coverage may not be adequate to cover all claims or liabilities, and we may be forced to bear substantial costs from an accident or incident. It also is not possible for us to obtain insurance to protect against all operational risks and liabilities. Substantial claims resulting from an incident in excess of U.S. Government indemnity and our insurance coverage would harm our financial condition, results of operations and cash flows. Moreover, any accident or incident for which we are liable, even if fully insured, could negatively affect our standing with our customers and the public, thereby making it more difficult for us to compete effectively, and could significantly impact the cost and availability of adequate insurance in the future.

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

Our future effective tax rate may be adversely affected by a number of factors including:

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

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

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

Our corporate headquarters and significant operations of our Government Communications Systems segment are located in Florida and significant operations of our Integrated Network Solutions segment are located in Houston, Texas, which areas are subject to the risk of major hurricanes. Our worldwide operations and operations of our suppliers could be subject to natural disasters or other significant disruptions, including hurricanes, typhoons, tsunamis, floods, earthquakes, fires, water shortages, other extreme weather conditions, medical epidemics, acts of terrorism, power shortages and blackouts, telecommunications failures, cyber attacks and other natural and manmade disasters or disruptions. In the event of such a natural disaster or other disruption, we could experience disruptions or interruptions to our operations or the operations of our suppliers, subcontractors, distributors, resellers or customers; destruction of facilities; and/or loss of life, all of which could materially increase our costs and expenses and materially adversely affect our business, financial condition, results of operations and cash flows.

Changes in the regulatory framework under which our managed satellite and terrestrial communications solutions operations are operated could adversely affect our business, financial condition, results of operations and cash flows.

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

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

In our managed satellite and terrestrial communications solutions operations, we compete for satellite bandwidth with other commercial entities, such as other satellite communications services providers and broadcasting companies, and with governmental entities, such as the military. In

certain markets and at certain times, satellite bandwidth may be

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limited and/or pricing of satellite bandwidth could be subject to competitive pressure. In such cases, we may be unable to secure sufficient bandwidth needed to provide our managed satellite communications services, either at favorable rates or at all. This inability could harm our business, financial condition, results of operations and cash flows.

Changes in future business or other market conditions could cause business investments and/or recorded goodwill or other long-term assets to become impaired, resulting in substantial losses and write-downs that would adversely affect our results of operations.

As part of our overall strategy, we will, from time to time, acquire a minority or majority interest in a business. These investments are made upon careful analysis and due diligence procedures designed to achieve a desired return or strategic objective. These procedures often involve certain assumptions and judgment in determining acquisition price. After acquisition, unforeseen issues could arise which adversely affect the anticipated returns or which are otherwise not recoverable as an adjustment to the purchase price. Even after careful integration efforts, actual operating results may vary significantly from initial estimates. Goodwill accounted for approximately 35 percent of our recorded total assets as of June 27, 2014. We evaluate the recoverability of recorded goodwill annually, as well as when we change reportable segments and when events or circumstances indicate there may be an impairment. The annual impairment test is based on several factors requiring judgment. Principally, a decrease in expected reportable segment cash flows or changes in market conditions may indicate potential impairment of recorded goodwill. For additional information on accounting policies we have in place for impairment of goodwill, see our discussion under **Critical Accounting Policies and Estimates** in **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations** of this Report and *Note 1: Significant Accounting Policies* and *Note 3: Discontinued Operations* in the Notes.

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

Our business has a continuing need to attract and retain significant numbers of skilled personnel, including personnel holding security clearances, to support our growth and to replace individuals whose employment has terminated due to retirement or for other reasons. To the extent that the demand for qualified personnel exceeds supply, as has been the case from time to time in recent years, we could experience higher labor, recruiting or training costs in order to attract and retain such employees, or could experience difficulties in performing under our contracts if our needs for such employees were unmet.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

We have no unresolved comments from the SEC.

ITEM 2. PROPERTIES.

Our principal executive offices are located at owned facilities in Melbourne, Florida. As of June 27, 2014, we operated approximately 150 locations in the U.S., Canada, Europe, the Middle East, Central and South America, Africa and Asia, consisting of about 6.9 million square feet of manufacturing, administrative, research and development, warehousing, engineering and office space, of which we owned approximately 4.5 million square feet and leased approximately 2.4 million square feet. There are no material encumbrances on any of our owned facilities. Our leased facilities are, for the most part, occupied under leases for remaining terms ranging from one month to 11 years, a majority of which can be terminated or renewed at no longer than 5-year intervals at our option. As of June 27, 2014, we had major operations at the following locations:

RF Communications Rochester, New York; Lynchburg, Virginia; Chelmsford, Massachusetts; Queensland, Australia; and Columbia, Maryland.

Integrated Network Solutions Houston, Texas; Herndon and Alexandria, Virginia; Macae, Rio de Janeiro, Brazil; Melbourne, Florida; Aberdeen, United Kingdom; Forrestfield, Australia; Singapore; Colorado Springs, Colorado; Calgary, Canada; and Bellevue, Nebraska.

Government Communications Systems Palm Bay, Melbourne and Malabar, Florida; Chantilly, Virginia; Annapolis Junction and Seabrook, Maryland; and Washington, D.C.

Corporate Melbourne, Florida.

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The following is a summary of the approximate floor space of our offices and facilities in productive use, by segment, at June 27, 2014:

Segment	Approximate Total Sq. Ft. Owned	Approximate Total Sq. Ft. Leased (In millions)	Approximate Total Sq. Ft.
RF Communications	1.2	0.6	1.8
Integrated Network Solutions	0.2	1.3	1.5
Government Communications Systems	2.7	0.4	3.1
Corporate	0.4	0.1	0.5
Total	4.5	2.4	6.9

In the opinion of management, our facilities, whether owned or leased, are suitable and adequate for their intended purposes and have capacities adequate for current and projected needs. Although we have some unused or under-utilized facilities, they are not considered significant. We frequently review our anticipated requirements for facilities and will, from time to time, acquire additional facilities, expand existing facilities and dispose of existing facilities or parts thereof, as management deems necessary. For more information about our lease obligations, see *Note 18: Lease Commitments* in the Notes. Our facilities and other properties are generally maintained in good operating condition.

ITEM 3. LEGAL PROCEEDINGS.

General. From time to time, as a normal incident of the nature and kind of business in which we are, and were, engaged, various claims or charges are asserted and litigation or arbitration is commenced by or against us arising from or related to matters, including but not limited to: product liability; personal injury; patents, trademarks, trade secrets or other intellectual property; labor and employee disputes; commercial or contractual disputes; strategic acquisitions or divestitures; the prior sale or use of former products allegedly containing asbestos or other restricted materials; breach of warranty; or environmental matters. Claimed amounts against us may be substantial but may not bear any reasonable relationship to the merits of the claim or the extent of any real risk of court or arbitral awards. We record accruals for losses related to those matters against us that we consider to be probable and that can be reasonably estimated. Gain contingencies, if any, are recognized when they are realized and legal costs generally are expensed when incurred. Although it is not feasible to predict the outcome of these matters with certainty, it is reasonably possible that some lawsuits, claims or proceedings may be disposed of or decided unfavorably to us and in excess of the amounts currently accrued. Based on available information, in the opinion of management, settlements, arbitration awards and final judgments, if any, which are considered probable of being rendered against us in litigation or arbitration in existence at June 27, 2014 are reserved against or would not have a material adverse effect on our financial condition, results of operations or cash flows.

Tax Audits. Our tax filings are subject to audit by taxing authorities in jurisdictions where we conduct business. These audits may result in assessments of additional taxes that are subsequently resolved with the authorities or ultimately through established legal proceedings. We believe we have adequately accrued for any ultimate amounts that are likely to result from these audits; however, final assessments, if any, could be different from the amounts recorded in our Consolidated Financial Statements. See *Note 21: Income Taxes* in the Notes for additional information regarding audits and examinations by taxing authorities of our tax filings.

U.S. Government Business. As a U.S. Government contractor, we are engaged in supplying goods and services to the U.S. Government and its various agencies. We are therefore dependent on Congressional appropriations and administrative allotment of funds and may be affected by changes in U.S. Government policies. U.S. Government contracts typically involve long lead times for design and development, are subject to significant changes in contract scheduling and may be unilaterally modified or cancelled by the U.S. Government. Often these contracts call for successful design and production of complex and technologically advanced products or systems. We may participate in supplying goods and services to the U.S. Government as either a prime contractor or as a subcontractor to a prime contractor. Disputes may arise between the prime contractor and the U.S. Government and the prime contractor and its subcontractors and may result in litigation or arbitration between the contracting parties.

Generally, U.S. Government contracts are subject to procurement laws and regulations, including the Federal Acquisition Regulation (FAR), which outline uniform policies and procedures for acquiring goods and services by the U.S. Government, and specific agency acquisition regulations that implement or supplement the FAR, such as the Defense Federal Acquisition Regulation Supplement. As a U.S. Government

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contractor, our contract costs are audited and reviewed on a continuing basis by the Defense Contract Audit Agency (DCAA). The DCAA also reviews the adequacy of, and a U.S. Government contractor s compliance with, the contractor s internal control systems and

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policies, including the contractor's accounting, purchasing, property, estimating, compensation and management information systems. In addition to these routine audits, from time to time, we may, either individually or in conjunction with other U.S. Government contractors, be the subject of audits and investigations by other agencies of the U.S. Government. These audits and investigations are conducted to determine if our performance and administration of our U.S. Government contracts are compliant with applicable contractual requirements and procurement and other applicable Federal laws and regulations. These investigations may be conducted without our knowledge. We are unable to predict the outcome of such investigations or to estimate the amounts of resulting claims or other actions that could be instituted against us or our officers or employees. Under present U.S. Government procurement laws and regulations, if indicted or adjudged in violation of procurement or other Federal laws, a contractor, such as us, or one or more of our operating divisions or subdivisions, could be subject to fines, penalties, repayments, or compensatory or treble damages. U.S. Government regulations also provide that certain findings against a contractor may lead to suspension or debarment from eligibility for awards of new U.S. Government contracts for up to three years. Suspension or debarment would have a material adverse effect on us because of our reliance on U.S. Government contracts. In addition, our export privileges could be suspended or revoked, which also would have a material adverse effect on us. For further discussion of risks relating to U.S. Government contracts, see Item 1A. Risk Factors of this Report.

International. As an international company, we are, from time to time, the subject of investigations relating to our international operations, including under U.S. export control laws and the FCPA and other similar U.S. and international laws. As discussed below in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of this Report, on April 4, 2011, we completed the acquisition of Carefx Corporation (Carefx) and thereby also acquired its subsidiaries, including in China (Carefx China). Following the closing, we became aware that certain entertainment, travel and other expenses in connection with the Carefx China operations may have been incurred or recorded improperly. In response, we initiated an internal investigation and learned that certain employees of the Carefx China operations had provided pre-paid gift cards and other gifts and payments to certain customers, potential customers, consultants and government regulators, after which we took certain remedial actions. The results of the investigation have been disclosed to our Audit Committee, Board of Directors and auditors, and voluntarily to the U.S. Department of Justice (DOJ) and the SEC. The SEC and DOJ have initiated investigations with respect to this matter and we are fully cooperating with such investigations. We cannot predict at this time the duration or scope of, developments in, results of, or any regulatory action or other potential consequences from, such investigations or otherwise in connection with this matter. However, based on the information available to date, we do not believe that this matter will have a material adverse effect on our financial condition, results of operations or cash flows.

Environmental. We are subject to numerous U.S. Federal, state and international environmental laws and regulatory requirements and are involved from time to time in investigations or litigation of various potential environmental issues concerning activities at our facilities or former facilities or remediation as a result of past activities (including past activities of companies we have acquired). From time to time, we receive notices from the U.S. Environmental Protection Agency or equivalent state or international environmental agencies that we are a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act (commonly known as the Superfund Act) and/or equivalent laws. Such notices assert potential liability for cleanup costs at various sites, which include sites owned by us, sites we previously owned and treatment or disposal sites not owned by us, allegedly containing hazardous substances attributable to us from past operations. We own, previously owned or are currently named as a potentially responsible party at 14 such sites, excluding sites as to which our records disclose no involvement or as to which our liability has been finally determined. While it is not feasible to predict the outcome of many of these proceedings, in the opinion of our management, any payments we may be required to make as a result of such claims in existence at June 27, 2014 will not have a material adverse effect on our financial condition, results of operations or cash flows. Additional information regarding environmental matters is set forth in Note 1: Significant Accounting Policies in the Notes under the caption Environmental Expenditures , which information is incorporated herein by reference, and in Item 1. Business Environmental and Other Regulations of this Report.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

Table of Contents**EXECUTIVE OFFICERS OF THE REGISTRANT**

The name, age, position held with us, and principal occupation and employment during at least the past 5 years for each of our executive officers as of August 22, 2014, were as follows:

Name and Age	Position Currently Held and Past Business Experience
William M. Brown, 51	Chairman, President and Chief Executive Officer since April 2014. President and Chief Executive Officer from November 2011 to April 2014. Formerly with United Technologies Corporation (UTC), as Senior Vice President, Corporate Strategy and Development from April 2011 to October 2011; as President of UTC s Fire & Security division from 2006 to 2011; and in U.S. and international roles at UTC s Carrier Corporation from 2000 to 2006, including President of the Carrier Asia Pacific Operations; and as Director, Corporate Strategy and Business Development from 1997 to 2000. Before joining UTC in 1997, Mr. Brown worked for McKinsey & Company as a senior engagement manager, and prior to that, at Air Products and Chemicals, Inc. as a project engineer.
Robert L. Duffy, 47	Senior Vice President, Human Resources and Administration since July 2012. Formerly with UTC, as Vice President, Human Resources for UTC s Sikorsky aircraft operation from 2010 to 2011; and in similar roles within UTC s Fire & Security, Carrier, Hamilton Sundstrand and Pratt & Whitney operations from 1998 to 2009. Before joining UTC in 1998, Mr. Duffy held human resource management positions with Royal Dutch Shell and James River Corporation.
Sheldon J. Fox, 55	Group President, Government Communications Systems since June 2010. President, National Intelligence Programs, Government Communications Systems from December 2007 to May 2010. President, Defense Programs, Government Communications Systems from May 2007 to December 2007. Vice President and General Manager, Department of Defense Programs, Government Communications Systems Division from July 2006 to April 2007. Vice President of Programs, Department of Defense Communications Systems, Government Communications Systems Division from July 2005 to June 2006. Mr. Fox joined Harris in 1984.
Miguel A. Lopez, 55	Senior Vice President and Chief Financial Officer since February 2014. Formerly with Aricent Group, as Chief Financial Officer from October 2011 to November 2013; with Cisco Systems, as Vice President of Finance and Operations from 2007 to 2011; with Tyco International, as Vice President, Business Development of the Fire and Security division from 2005 to 2007 and as Chief Financial Officer for ADT Security Systems North America from 2003 to 2004. Mr. Lopez began his career as an auditor at KPMG, and thereafter was at IBM, where he was Chief Financial Officer for IBM Brazil and for Latin America Personal Computers, managed Latin America merger and acquisition activity and held various other positions related to pricing and channel strategy, financial planning and analysis, credit and treasury.
Dana A. Mehnert, 52	Group President, RF Communications since May 2009. President, RF Communications from July 2006 to May 2009. Vice President and General Manager Government Products Business, RF Communications from July 2005 to July 2006. Vice President and General Manager Business Development and Operations, RF Communications from January 2005 to July 2005. Vice President Defense Operations, RF Communications from January 2004 to January 2005. Vice President International Operations, RF Communications from November 2001 to January 2004. Vice President/Managing Director International Government Sales Operations for Harris regional sales organization from September 1999 to November 2001. Vice President Marketing and International Sales, RF Communications from August 1997 to September 1999. Vice President Worldwide Marketing, RF Communications from July 1996 to July 1997. Vice President International Sales, RF Communications from November 1995 to June 1996. Mr. Mehnert joined Harris in 1984.
Scott T. Mikuen, 52	Senior Vice President, General Counsel and Secretary since February 2013. Vice President, General Counsel and Secretary from October 2010 to February 2013. Vice President, Associate General Counsel and Secretary from October 2004 to October 2010. Vice President Counsel, Corporate and Commercial Operations and Assistant Secretary from November 2000 to October 2004. Mr. Mikuen joined Harris in 1996 as Finance Counsel.

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Name and Age	Position Currently Held and Past Business Experience
James D. Morris, 49	Group President, Integrated Network Solutions since January 2013. Formerly with Western Digital Corporation (WDC), as Executive Vice President and General Manager for four of WDC 's commercial product businesses from October 2010 to January 2013; and in domestic and international leadership roles within WDC from 2001 to 2010. Before joining WDC in 2001, Mr. Morris worked for McKinsey & Company as senior engagement manager, and, prior to that, he served as an intelligence officer with the U.S. Army.
Lewis A. Schwartz, 51	Vice President, Principal Accounting Officer since October 2006. Principal Accounting Officer from October 2005 to October 2006. Assistant Controller from October 2003 to October 2005. Director, Corporate Accounting from August 1999 to October 2003. Director, Corporate Planning from January 1997 to August 1999. Mr. Schwartz joined Harris in 1992. Formerly, Mr. Schwartz was with Ernst & Young LLP from 1986 to 1992.

There is no family relationship between any of our executive officers or directors. There are no arrangements or understandings between any of our executive officers or directors and any other person pursuant to which any of them was appointed or elected as an officer or director, other than arrangements or understandings with our directors or officers acting solely in their capacities as such. All of our executive officers are elected annually and serve at the pleasure of our Board of Directors.

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.****Market Information and Price Range of Common Stock**

Our common stock, par value \$1.00 per share, is listed and traded on the NYSE, under the ticker symbol HRS. According to the records of our transfer agent, as of August 22, 2014, there were approximately 4,969 holders of record of our common stock. The high and low sales prices of our common stock as reported on the NYSE consolidated transactions reporting system and the dividends paid on our common stock for each quarterly period in our last two fiscal years are reported below:

	High	Low	Cash Dividends
Fiscal 2014			
First Quarter	\$ 59.75	\$ 48.75	\$ 0.42
Second Quarter	\$ 70.73	\$ 57.21	0.42
Third Quarter	\$ 75.33	\$ 66.34	0.42
Fourth Quarter	\$ 79.32	\$ 68.63	0.42
			\$ 1.68
	High	Low	Cash Dividends
Fiscal 2013			
First Quarter	\$ 51.68	\$ 39.02	\$ 0.37
Second Quarter	\$ 52.23	\$ 45.62	0.37
Third Quarter	\$ 50.53	\$ 43.70	0.37
Fourth Quarter	\$ 51.46	\$ 41.08	0.37
			\$ 1.48

On August 22, 2014, the last sale price of our common stock as reported in the NYSE consolidated transactions reporting system was \$71.02 per share.

Dividends

The cash dividends paid on our common stock for each quarter in our last two fiscal years are set forth in the tables above. On August 23, 2014, our Board of Directors increased the quarterly cash dividend rate on our common stock from \$0.42 per share to \$0.47 per share, for an annualized cash dividend rate of \$1.88 per share, which was our thirteenth consecutive annual increase in our quarterly cash dividend rate. Our annualized cash dividend rate was \$1.68 per share in fiscal 2014. Our annualized cash dividend rate was \$1.48 per share in fiscal 2013. Our annualized cash dividend rate was \$1.32 per share for the last two quarters of fiscal 2012 and \$1.12 per share for the first two quarters of fiscal 2012. Quarterly cash dividends are typically paid in March, June, September and December. We currently expect that cash dividends will continue to be paid in the near future, but we can give no assurances concerning payment of future dividends. The declaration of dividends and the amount thereof will depend on a number of factors, including our financial condition, capital requirements, cash flows, results of operations, future business prospects and other factors that our Board of Directors may deem relevant.

Harris Stock Performance Graph

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The following performance graph and table do not constitute soliciting material and the performance graph and table should not be deemed filed or incorporated by reference into any other previous or future filings by us under the Securities Act or the Exchange Act, except to the extent that we specifically incorporate the performance graph and table by reference therein.

The performance graph and table below compare the 5-year cumulative total return of our common stock with the comparable 5-year cumulative total returns of the Standard & Poor's 500 Composite Stock Index (S&P 500) and the Standard & Poor's 500 Aerospace & Defense Index (S&P 500 Aerospace & Defense). The figures in the performance graph and table below assume an initial investment of \$100 at the close of business on July 3, 2009 in Harris, the S&P 500 and the S&P 500 Aerospace & Defense and the reinvestment of all dividends.

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**COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN AMONG
HARRIS, S&P 500 AND S&P 500 AEROSPACE & DEFENSE**

Sales of Unregistered Securities

During fiscal 2014, we did not issue or sell any unregistered securities.

Issuer Purchases of Equity Securities

During fiscal 2014, we repurchased 4,560,802 shares of our common stock under our repurchase programs at an average price per share of \$65.76, excluding commissions. During fiscal 2013, we repurchased 8,287,130 shares of our common stock under our repurchase program at an average price per share of \$48.25, excluding commissions. The level of our repurchases depends on a number of factors, including our financial condition, capital requirements, cash flows, results of operations, future business prospects and other factors our Board of Directors may deem relevant. The timing, volume and nature of repurchases are subject to market conditions, applicable securities laws and other factors and are at our discretion and may be suspended or discontinued at any time. Shares repurchased by us are cancelled and retired.

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The following table sets forth information with respect to repurchases by us of our common stock during the fiscal quarter ended June 27, 2014:

Period*	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (1)	Maximum approximate dollar value of shares that may yet be purchased under the plans or programs (1)
Month No. 1 (March 29, 2014-April 25, 2014)				
Repurchase Programs (1)	None	n/a	None	\$ 919,049,755
Employee Transactions (2)	None	n/a	n/a	n/a
Month No. 2 (April 26, 2014-May 23, 2014)				
Repurchase Programs (1)	634,469	\$ 74.78	634,469	\$ 871,604,276
Employee Transactions (2)	4,481	\$ 73.71	n/a	n/a
Month No. 3 (May 24, 2014-June 27, 2014)				
Repurchase Programs (1)	496,454	\$ 76.75	496,454	\$ 833,501,670
Employee Transactions (2)	10,965	\$ 76.70	n/a	n/a
Total	1,146,369	\$ 75.65	1,130,923	\$ 833,501,670

* Periods represent our fiscal months.

- (1) On August 26, 2013, we announced that on August 23, 2013, our Board of Directors approved a new share repurchase program (our 2013 Repurchase Program) authorizing us to repurchase up to \$1 billion in shares of our common stock through open-market transactions, private transactions, transactions structured through investment banking institutions or any combination thereof. Our 2013 Repurchase Program was in addition to our prior share repurchase program approved in 2011 (our 2011 Repurchase Program). Our repurchases during the quarter ended December 27, 2013 used the remaining authorization under our 2011 Repurchase Program. As of June 27, 2014, \$833,501,670 (as reflected in the table above) was the approximate dollar amount of our common stock that may yet be purchased under our 2013 Repurchase Program, which does not have a stated expiration date. Our repurchase programs have resulted, and our 2013 Repurchase Program is expected to continue to result, in repurchases in excess of the dilutive effect of shares issued under our share-based incentive plans. However, the level of our repurchases depends on a number of factors, including our financial condition, capital requirements, cash flows, results of operations, future business prospects and other factors our Board of Directors may deem relevant. The timing, volume and nature of repurchases are subject to market conditions, applicable securities laws and other factors and are at our discretion and may be suspended or discontinued at any time.
- (2) Represents a combination of (a) shares of our common stock delivered to us in satisfaction of the exercise price and/or tax withholding obligation by holders of employee stock options who exercised stock options, (b) shares of our common stock delivered to us in satisfaction of the tax withholding obligation of holders of performance shares, performance share units or restricted shares that vested during the quarter, (c) performance shares, performance share units, restricted shares or restricted stock units returned to us upon retirement or employment termination of employees or (d) shares of our common stock purchased by, or sold to us by, the Harris Corporation Master Rabbi Trust, with the trustee thereof acting at our direction, to fund obligations of the Rabbi Trust under our deferred compensation plans. Our equity incentive plans provide that the value of shares delivered to us to pay the exercise price of options or to cover tax withholding obligations shall be the closing price of our common stock on the date the relevant transaction occurs.

The information required by this Item with respect to securities authorized for issuance under our equity compensation plans is included in Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters – Equity Compensation Plan Information of this Report. See *Note 14: Stock Options and Other Share-Based Compensation* in the Notes for a general description of our share-based incentive plans.

Table of Contents**ITEM 6. SELECTED FINANCIAL DATA.**

The following table summarizes our selected historical financial information for each of the last five fiscal years. Amounts pertaining to our results of operations are presented on a continuing operations basis. See *Note 3: Discontinued Operations* in the Notes for information regarding discontinued operations. The selected financial information shown below has been derived from our audited Consolidated Financial Statements, which for data presented for fiscal 2014 and 2013 are included elsewhere in this Report. This table should be read in conjunction with our other financial information, including Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and accompanying Notes, included elsewhere in this Report.

	2014	2013 (1)	Fiscal Years Ended		2010 (4)
			2012 (2)	2011 (3)	
	(In millions, except per share amounts)				
Results of Operations:					
Revenue from product sales and services	\$ 5,012.0	\$ 5,111.7	\$ 5,451.3	\$ 5,418.4	\$ 4,725.0
Cost of product sales and services	3,310.5	3,385.0	3,569.3	3,532.5	3,052.9
Interest expense	93.6	109.1	113.2	90.4	72.1
Income from continuing operations before income taxes	795.4	664.6	841.9	905.5	876.4
Income taxes	256.2	202.7	286.0	306.8	295.4
Income from continuing operations	539.2	461.9	555.9	598.7	581.0
Discontinued operations, net of income taxes	(5.0)	(353.4)	(528.1)	(11.6)	(19.4)
Net income	534.2	108.5	27.8	587.1	561.6
Noncontrolling interests, net of income taxes	0.6	4.5	2.8	0.9	
Net income attributable to Harris Corporation	534.8	113.0	30.6	588.0	561.6
Average shares outstanding (diluted)	107.3	111.2	114.8	126.3	130.0
Per Share Data (Diluted) Attributable to Harris Corporation					
Common Shareholders:					
Income from continuing operations	\$ 5.00	\$ 4.16	\$ 4.80	\$ 4.69	\$ 4.42
Loss from discontinued operations, net of income taxes	(0.05)	(3.15)	(4.54)	(0.09)	(0.14)
Net income	4.95	1.01	0.26	4.60	4.28
Cash dividends	1.68	1.48	1.22	1.00	0.88
Financial Position at Fiscal Year-End:					
Net working capital	\$ 876.7	\$ 650.7	\$ 1,186.0	\$ 786.3	\$ 952.8
Net property, plant and equipment	728.1	653.2	659.4	872.8	609.7
Long-term debt	1,575.8	1,577.1	1,883.0	1,887.2	1,176.6
Total assets	4,931.2	4,858.4	5,592.8	6,172.8	4,743.6
Equity	1,825.4	1,561.2	1,946.1	2,512.0	2,190.1
Book value per share	17.30	14.60	17.35	20.40	17.18

- (1) Results for fiscal 2013 included an \$83.0 million after-tax (\$.74 per diluted share) charge, net of government cost reimbursement, for Company-wide restructuring and other actions, including prepayment of long-term debt, asset impairments, a write-off of capitalized software, facility consolidation, workforce reductions and other associated costs.
- (2) Results for fiscal 2012 included a \$46.3 million after-tax (\$.40 per diluted share) charge for integration and other costs in our Integrated Network Solutions segment associated with our acquisitions of CapRock Holdings, Inc. and its subsidiaries, including CapRock Communications, Inc. (collectively, CapRock), Schlumberger group's Global Connectivity Services business (Schlumberger GCS) and Carefx.
- (3) Results for fiscal 2011 included a \$36.8 million after-tax (\$.29 per diluted share) charge for integration and other costs in our Integrated Network Solutions segment associated with our acquisitions of CapRock, Schlumberger GCS, the terrestrial network infrastructure assets of the government business of Core180, Inc. and Carefx.
- (4) Results for fiscal 2010 included a \$14.5 million after-tax (\$.11 per diluted share) charge for integration and other costs in our RF Communications segment associated with our acquisition of substantially all of the assets of the Tyco Electronics wireless systems business.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS. OVERVIEW

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

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

Business Considerations a general description of our business; the value drivers of our business; fiscal 2014 results of operations and liquidity and capital resources key indicators; and industry-wide opportunities, challenges and risks that are relevant to us in the defense, government and commercial markets. In this section of this MD&A, income from continuing operations refers to income from continuing operations attributable to Harris Corporation common shareholders.

Operations Review an analysis of our consolidated results of operations and of the results in each of our three business segments, to the extent the segment operating results are helpful to an understanding of our business as a whole, for the three years presented in our financial statements. In this section of this MD&A, income from continuing operations refers to income from continuing operations attributable to Harris Corporation common shareholders.

Liquidity, Capital Resources and Financial Strategies an analysis of cash flows, common stock repurchases, dividends, capital structure and resources, contractual obligations, off-balance sheet arrangements, commercial commitments, financial risk management, impact of foreign exchange and impact of inflation.

Critical Accounting Policies and Estimates a discussion of accounting policies and estimates that require the most judgment and a discussion of accounting pronouncements that have been issued but not yet implemented by us and their potential impact on our financial position, results of operations and cash flows.

Forward-Looking Statements and Factors that May Affect Future Results cautionary information about forward-looking statements and a description of certain risks and uncertainties that could cause our actual results to differ materially from our historical results or our current expectations or projections.

BUSINESS CONSIDERATIONS

General

We are an international communications and information technology company serving government and commercial markets in more than 125 countries. We are dedicated to developing best-in-class *assured communications*[®] products, systems and services for global markets. Our company generates revenue, income and cash flows by developing, manufacturing and selling communications products and software as well as providing related services. We sell directly to our customers, the largest of which are U.S. Government customers and their prime contractors, and we utilize agents and intermediaries to sell and market some products and services, especially in international markets.

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

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RF Communications, serving (i) U.S. Department of Defense and International Tactical Communications (Tactical Communications) and (ii) Public Safety and Professional Communications markets;

Integrated Network Solutions, serving (i) IT Services, (ii) Managed Satellite and Terrestrial Communications Solutions (which market is served by our Harris CapRock Communications business) and (iii) Commercial Healthcare Solutions markets; and
Government Communications Systems, serving (i) Civil, (ii) National Intelligence and (iii) Defense markets.

In the third quarter of fiscal 2012, our Board of Directors approved a plan to exit CIS, which provided remote cloud hosting, and to dispose of the related assets, and we completed the sale of the remaining assets of CIS in the first

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

At the beginning of the first quarter of fiscal 2014, to leverage the breadth of our IT enterprise network and information assurance capabilities for the IT services market, we began managing our cyber security network testing operation as part of our Integrated Network Solutions segment rather than our Government Communications Systems segment. As a result, we reassigned \$2.4 million of goodwill (determined on a relative fair value basis) to our Integrated Network Solutions segment from our Government Communications Systems segment. The historical results, discussion and presentation of our business segments as set forth in this Report have been adjusted to reflect the impact of this change to our business segment reporting structure for all periods presented in this Report.

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

Value Drivers of Our Business

Our two core value drivers are excellence and innovation.

Our Company-wide commitment to excellence is embodied in our Harris Business Excellence (HBX) program, which provides the framework and tools that empower every employee to drive continuous improvement in business performance and customer satisfaction. HBX incorporates standardized, industry-proven processes and tools based on the principles of Lean and Six Sigma. Fiscal 2014 was the first full year of program implementation, and we made significant strides in three primary areas—customer satisfaction, productivity and asset velocity—through our efforts to optimize processes, eliminate waste, reduce costs and enhance quality across our Company, including in areas such as manufacturing and field operations, supply chain and overhead functions, and working capital initiatives. One method we use to drive continuous improvement is value engineering—continuously evaluating new materials, processes and technologies to insert into products already in production, helping to reduce costs and improve both quality and customer satisfaction.

Innovation is at the very core of our success, and investment in research and development (R&D) represents its foundation. Our R&D investments are focused on adding new features to existing products, tailoring offerings for international markets, and creating totally new-to-the-world solutions to address our customers' toughest communications challenges. Innovation also leads to natural extensions of our core capabilities for capturing new opportunities in adjacent markets. Innovation provides differentiation and a key competitive advantage for us.

To ensure our investment in R&D is cost-effective and supports innovation across the entire Company, we have adopted a portfolio management approach, optimizing investment at the Company level rather than the business unit level. We have introduced standardized processes and common metrics to track progress and gauge success, and we have established Core Technology Centers to more fully leverage R&D investment across our Company.

Innovation at Harris also includes introducing new business models to the marketplace to provide our customers with innovative solutions at lower costs. For example, in the tactical communications market, we provide a commercial off-the-shelf approach that entails investing our own R&D funds to provide new mission-critical communications at a much faster pace and lower cost compared to the lengthy development cycle of the traditional program-of-record approach. We also partnered with the FAA to provide a fully-managed service for the FAA FTI network that provides mission-critical network capabilities to connect controllers and pilots across more than 4,000 nodes, resulting in significantly higher bandwidth and uptime at half the cost of the traditional approach. We also are at the forefront of a unique piggyback approach of using commercially-hosted satellite payloads to provide multiple missions on satellites, speeding time-to-mission and lowering costs compared to the traditional model of building and launching separate exquisite satellites for each mission requirement.

Key Indicators

We believe our value drivers, when implemented, will improve our financial results, including: income from continuing operations and income from continuing operations per diluted common share; revenue; income from continuing operations as a percentage of revenue; net cash provided by operating activities; return on invested capital; and return on average equity. The measure of our success is reflected in our results of operations and liquidity and capital resources key indicators as discussed below.

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Fiscal 2014 Results of Operations Key Indicators: Income from continuing operations, income from continuing operations per diluted common share, revenue, and income from continuing operations as a percentage of revenue represent key measurements of our value drivers:

Income from continuing operations increased 15.7 percent to \$539.8 million in fiscal 2014 from \$466.4 million in fiscal 2013;
Income from continuing operations per diluted common share increased 20.2 percent to \$5.00 in fiscal 2014 from \$4.16 in fiscal 2013;
Revenue decreased 2.0 percent to \$5.0 billion in fiscal 2014 from \$5.1 billion in fiscal 2013; and
Income from continuing operations as a percentage of revenue increased to 10.8 percent in fiscal 2014 from 9.1 percent in fiscal 2013.

Refer to MD&A heading *Operations Review* below in this Report for more information.

Liquidity and Capital Resources Key Indicators: Net cash provided by operating activities, return on invested capital and return on average equity also represent key measurements of our value drivers:

Net cash provided by operating activities increased to \$849.2 million in fiscal 2014 from \$833.0 million in fiscal 2013;
Return on invested capital (defined as after-tax operating income from continuing operations divided by the two-point average of invested capital at the beginning and ending of the fiscal year, where invested capital equals equity plus debt, less cash and cash equivalents) increased to 20.4 percent in fiscal 2014 from 17.1 percent in fiscal 2013; and
Return on average equity (defined as income from continuing operations divided by the two-point average of equity at the beginning and ending of the fiscal year) increased to 31.9 percent in fiscal 2014 from 26.6 percent in fiscal 2013.

Refer to MD&A heading *Liquidity, Capital Resources and Financial Strategies* below in this Report for more information on net cash provided by operating activities.

Industry-Wide Opportunities, Challenges and Risks

Department of Defense and Other U.S. Federal Markets: U.S. Government budgets remained constrained in fiscal 2014, and we anticipate a similarly constrained spending environment in fiscal 2015. Contributing to the slow spending environment and similar to U.S. Government Fiscal Year (GFY) 2014, Congress has yet to pass the GFY 2015 appropriations bills. This means specific budget allocations by program have not been finalized, and if not passed by October 1, 2014, we expect the U.S. Government will operate under a continuing resolution.

Deficit spending has caused U.S. Government budgets to come under significant pressure. In particular, the Budget Control Act of 2011 resulted in automatic spending reductions, known as sequestration, through budget caps for both defense and non-defense spending. In December 2013, Congress enacted the Bipartisan Budget Act of 2013, modifying the budget caps and increasing the limits on discretionary defense spending for GFY 2014 and GFY 2015 by approximately \$22 billion and \$9 billion, respectively, with similar spending relief for non-defense government spending. This resulted in a U.S. national defense spending cap of approximately \$520 billion for GFY 2014 and approximately \$521 billion for GFY 2015. Passing the 2-year, Bipartisan Budget Act of 2013 provided more certainty in the budget planning process for both GFY 2014 and 2015 and gave the DoD flexibility in deciding priorities.

For GFYs 2016 through 2021, however, the Bipartisan Budget Act of 2013 retained the previous budget caps and across-the-board spending reduction methodology as provided under the Budget Control Act of 2011, and as a result of the return to full sequestration, there remains uncertainty regarding how sequester cuts would be applied in GFY 2016 and beyond. Even under full sequestration, though, the national defense spending cap would be approximately \$523 billion for GFY 2016, which is higher than the cap for GFY 2015. Alternatively, under the President's budget request dated March 2014, which ignores spending caps, national defense spending for GFY 2016 would also be higher at approximately \$535 billion.

Government Oversight and Risk: As a U.S. Government contractor, we are subject to U.S. Government oversight. The U.S. Government may investigate our business practices and audit our compliance with applicable rules and regulations. Depending on the results of those investigations and audits, the U.S. Government could make claims against us. Under U.S. Government procurement regulations and practices, an indictment or conviction of a government contractor could result in that contractor being fined and/or suspended from being able to bid on, or from being awarded, new U.S. Government contracts for a period of time. Similar government oversight exists in most other countries where we conduct business.

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For a discussion of risks relating to U.S. Government contracts and subcontracts, see Item 1. Business – Principal Customers; Government Contracts and Item 1A. Risk Factors of this Report. We are also subject to other risks associated with U.S. Government business, including technological uncertainties, dependence on annual appropriations and allotment of funds, extensive regulations and other risks, which are discussed in Item 1A. Risk Factors and Item 3. Legal Proceedings of this Report.

State and Local: We also provide products to state and local government agencies that are committed to protecting our homeland and public safety. The public safety market weakened during fiscal 2014, having concluded an upgrade cycle primarily related to the Federal Communications Commission’s narrow-banding mandate that drove higher-than-average market demand. Future market opportunities include upgrading aging analog infrastructure to new digital standards, as well as opportunities associated with next-generation LTE solutions for high data-rate applications, an emerging market in the early stages of development.

International: We believe there is continuing international demand for tactical radio and public safety communications for military, government, and commercial customers, as well as for turnkey managed satellite communications solutions for government, energy and maritime markets. We believe we can leverage our domain expertise and proven technology provided in the U.S. for air traffic management, weather ground system technology and commercially hosted satellite payloads in pursuing international opportunities to further expand our international business.

Commercial: We are leveraging proven technologies and capabilities for government applications into attractive commercial markets. After a long history of providing satellite antennas, space electronics, and payload technology to the government market, we are applying that same technology and capability in the commercial space market. Similarly, we provide turnkey managed satellite communications solutions not only to government customers in remote and harsh locations but also for commercial energy and maritime customers. After first addressing the government healthcare IT market, we began providing a full range of interoperability and business intelligence solutions to address the growing complexity in the commercial healthcare IT market. Also, an initiative is underway to leverage our success in providing weather ground system technology for the government market into commercial markets such as agriculture, which relies heavily on advanced forecasting capabilities and other weather information.

We believe that our experience, technologies and capabilities are well aligned with the demand and requirements of the markets noted above in this Report. However, we remain subject to the spending levels, pace and priorities of the U.S. Government as well as international governments and commercial customers, and to general economic conditions that could adversely affect us, our customers and our suppliers. We also remain subject to other risks associated with these markets, including technological uncertainties, adoption of our new products and other risks that are discussed below in this Report under Forward-Looking Statements and Factors that May Affect Future Results and in Item 1A. Risk Factors of this Report.

Table of Contents**OPERATIONS REVIEW***Consolidated Results of Operations*

	Fiscal Years Ended				
	2014	2013	2014/2013 Percent Increase/ (Decrease)	2012	2013/2012 Percent Increase/ (Decrease)
	(Dollars in millions, except per share amounts)				
Revenue:					
RF Communications	\$ 1,828.0	\$ 1,849.0	(1.1)%	\$ 2,144.1	(13.8)%
Integrated Network Solutions	1,462.9	1,575.8	(7.2)%	1,609.9	(2.1)%
Government Communications Systems	1,801.2	1,783.8	1.0%	1,786.0	(0.1)%
Corporate eliminations	(80.1)	(96.9)	(17.3)%	(88.7)	9.2%
Total revenue	5,012.0	5,111.7	(2.0)%	5,451.3	(6.2)%
Cost of product sales and services:					
Cost of product sales	(1,857.1)	(1,919.4)	(3.2)%	(2,137.6)	(10.2)%
<i>% of revenue from product sales</i>	<i>58.2%</i>	<i>59.9%</i>		<i>59.4%</i>	
Cost of services	(1,453.4)	(1,465.6)	(0.8)%	(1,431.7)	2.4%
<i>% of revenue from services</i>	<i>79.7%</i>	<i>76.8%</i>		<i>77.2%</i>	
Total cost of product sales and services	(3,310.5)	(3,385.0)	(2.2)%	(3,569.3)	(5.2)%
<i>% of total revenue</i>	<i>66.1%</i>	<i>66.2%</i>		<i>65.5%</i>	
Gross margin	1,701.5	1,726.7	(1.5)%	1,882.0	(8.3)%
<i>% of total revenue</i>	<i>33.9%</i>	<i>33.8%</i>		<i>34.5%</i>	
Engineering, selling and administrative expenses	(819.6)	(914.5)	(10.4)%	(940.9)	(2.8)%
<i>% of total revenue</i>	<i>16.4%</i>	<i>17.9%</i>		<i>17.3%</i>	
Non-operating income (loss)	4.3	(40.7)	*	11.5	*
Net interest expense	(90.8)	(106.9)	(15.1)%	(110.7)	(3.4)%
Income from continuing operations before income taxes	795.4	664.6	19.7%	841.9	(21.1)%
Income taxes	(256.2)	(202.7)	26.4%	(286.0)	(29.1)%
<i>Effective tax rate</i>	<i>32.2%</i>	<i>30.5%</i>		<i>34.0%</i>	
Income from continuing operations	539.2	461.9	16.7%	555.9	(16.9)%
Noncontrolling interests, net of income taxes	0.6	4.5	(86.7)%	2.8	60.7%
Income from continuing operations attributable to Harris Corporation common shareholders	539.8	466.4	15.7%	558.7	(16.5)%
<i>% of total revenue</i>	<i>10.8%</i>	<i>9.1%</i>		<i>10.2%</i>	
Discontinued operations, net of income taxes	(5.0)	(353.4)	(98.6)%	(528.1)	(33.1)%
Net income attributable to Harris Corporation common shareholders	\$ 534.8	\$ 113.0	373.3%	\$ 30.6	269.3%
Income from continuing operations per diluted common share attributable to Harris Corporation common shareholders	\$ 5.00	\$ 4.16	20.2 %	\$ 4.80	(13.3)%

* Not meaningful

Revenue

Fiscal 2014 Compared With Fiscal 2013: The decrease in revenue in fiscal 2014 compared with fiscal 2013 was primarily due to lower revenue in our Integrated Network Solutions segment, while modestly lower revenue in our RF Communications segment offset modestly higher revenue in our Government Communications Systems segment. The \$113 million decrease in revenue in our Integrated Network Solutions segment was primarily due to lower revenue from U.S. Government customers across the segment.

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Fiscal 2013 Compared With Fiscal 2012: The decrease in revenue in fiscal 2013 compared with fiscal 2012 was primarily due to lower revenue in our RF Communications and Integrated Network Solutions segments. The \$295 million decrease in revenue in our RF Communications segment was primarily due to lower Tactical Communications revenue. The \$34 million decrease in revenue in our Integrated Network Solutions segment was due to lower IT Services revenue, partially offset by moderate revenue growth in Harris CapRock Communications and our healthcare operations.

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

Gross Margin Percentage

Fiscal 2014 Compared With Fiscal 2013: Gross margin as a percentage of revenue (gross margin percentage) in fiscal 2014 was essentially unchanged from fiscal 2013 and primarily reflects a 1.0 percentage point increase in gross margin percentage in our Government Communications Systems segment resulting from good program execution, partially offset by a 0.7 percentage point decrease in gross margin percentage in our RF Communications segment resulting from weakness at Public Safety and Professional Communications.

Fiscal 2013 Compared With Fiscal 2012: The decrease in gross margin percentage in fiscal 2013 compared with fiscal 2012 was primarily due to a lower percentage of our overall sales generated by our higher-margin RF Communications segment and a 1.9 percentage point decrease in gross margin percentage in our Integrated Network Solutions segment, partially offset by a 1.4 percentage point increase in gross margin percentage in our RF Communications segment.

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

Engineering, Selling and Administrative Expenses

Fiscal 2014 Compared With Fiscal 2013: The decrease in engineering, selling and administrative (ESA) expenses and ESA expenses as a percentage of revenue (ESA percentage) in fiscal 2014 compared with fiscal 2013 was primarily due to \$74.7 million of charges recorded in the fourth quarter of fiscal 2013 for company-wide restructuring and other actions and the benefit in fiscal 2014 from prior-year restructuring actions, and an out-of-period adjustment in the third quarter of fiscal 2014 related to our post-employment benefit plan that reduced general and administrative expenses, partially offset by higher research and development expenses.

Overall Company-sponsored research and development costs were \$264.1 million in fiscal 2014 compared with \$254.1 million in fiscal 2013 (including a \$17.8 million write-off of capitalized software in our Integrated Network Solutions segment, as described below).

Fiscal 2013 Compared With Fiscal 2012: The increase in ESA percentage in fiscal 2013 compared with fiscal 2012 was primarily due to a 3.0 percentage point increase in ESA percentage in our RF Communications segment, partially offset by a 2.5 percentage point decrease in ESA percentage in our Integrated Network Solutions segment. The increase in ESA percentage in our RF Communications segment was primarily driven by ESA expenses in fiscal 2013 that were essentially flat with fiscal 2012 relative to a 14 percent decrease in segment revenue. Although benefiting from operational excellence initiatives and restructuring actions, RF Communications segment ESA expenses in fiscal 2013 were higher primarily due to an 8 percent increase in spending on research and development compared with fiscal 2012 and also included a \$9 million charge for restructuring actions in the fourth quarter of fiscal 2013. The decrease in ESA percentage in our Integrated Network Solutions segment was primarily due to lower general and administrative expenses, including the impact of ongoing cost-reduction efforts and \$58 million of charges recorded in fiscal 2012 for integration and other costs associated with our acquisitions of CapRock, Schlumberger GCS and Carefx, partially offset by \$44 million of charges recorded in fiscal 2013 for asset impairments and a \$17.8 million write-off of capitalized software due to a change in accounting estimate.

Overall Company-sponsored research and development costs were \$254.1 million in fiscal 2013 (including the \$17.8 million write-off of capitalized software in our Integrated Network Solutions segment noted above) compared with \$218.9 million in fiscal 2012.

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

Non-Operating Income (Loss)

Fiscal 2014 Compared With Fiscal 2013: Non-operating income in fiscal 2014 was due to net income related to intellectual property matters. Non-operating loss in fiscal 2013 was primarily due to a \$33.2 million charge associated with our optional redemption on May 28, 2013 of the entire outstanding \$300 million principal amount of our 5%

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Notes due October 1, 2015, a \$10.8 million impairment of a cost-method investment and a \$6.4 million impairment of an investment in a joint venture, partially offset by a \$9.0 million gain on the sale of securities available-for-sale.

Fiscal 2013 Compared With Fiscal 2012: Non-operating loss in fiscal 2013 was primarily due to the items noted for fiscal 2013 in the discussion above regarding fiscal 2014 compared with fiscal 2013. Non-operating income in fiscal 2012 was primarily due to royalty income related to certain patents.

See *Note 20: Non-Operating Income (Loss)* in the Notes for further information.

Net Interest Expense

Fiscal 2014 Compared With Fiscal 2013: Our net interest expense decreased in fiscal 2014 compared with fiscal 2013 primarily due to lower debt levels as a result of our optional redemption on May 28, 2013 of the entire outstanding \$300 million principal amount of our 5% Notes due October 1, 2015.

Fiscal 2013 Compared With Fiscal 2012: Our net interest expense decreased slightly in fiscal 2013 compared with fiscal 2012 primarily due to lower debt levels as a result of our redemption of our 5% Notes as noted above in the discussion regarding fiscal 2014 compared with fiscal 2013.

See *Note 17: Interest Expense* in the Notes for further information.

Income Taxes

Fiscal 2014 Compared With Fiscal 2013: In fiscal 2014, our effective tax rate benefited from additional deductions (primarily related to manufacturing) and additional research credits claimed on our fiscal 2013 tax return compared with our recorded estimates at the end of fiscal 2013, the settlement of a state tax audit and additional permanent deductions based on recent tax litigation unrelated to us. In fiscal 2013, legislation was enacted that restored the U.S. Federal income tax credit for qualifying research and development expenses. This resulted in a benefit of approximately \$8.4 million (approximately 1.3 percent of income from continuing operations before income taxes) in calculating our effective tax rate (income taxes as a percentage of income from continuing operations before income taxes). In fiscal 2013, our effective tax rate also benefited from additional deductions (primarily related to manufacturing) claimed on our fiscal 2012 tax return compared with our recorded estimates at the end of fiscal 2012, favorable tax settlements, tax elections resulting in the deductibility of certain expenses, a reduction in estimated non-U.S. tax liabilities, a reduction in state taxes due to changes in certain state tax laws and confirmation of the availability of certain acquired tax attributes due to audit resolution.

Fiscal 2013 Compared With Fiscal 2012: The major discrete items from which our fiscal 2013 effective tax rate benefited are those noted for fiscal 2013 in the discussion above regarding fiscal 2014 compared with fiscal 2013. In fiscal 2012, our effective tax rate benefited from additional tax credits and manufacturing deductions claimed on our fiscal 2011 tax return compared with our recorded estimates at the end of fiscal 2011, as well as from a reduction in state taxes due to changes in certain state tax laws and a reduction in estimated tax liabilities.

See *Note 21: Income Taxes* in the Notes for further information.

Discontinued Operations, Net of Income Taxes

Fiscal 2014 Compared With Fiscal 2013: Discontinued operations in fiscal 2014 consisted of a \$6.9 million after-tax increase in the loss on sale of Broadcast Communications from miscellaneous adjustments for contingencies related to the disposition, partially offset by a \$1.9 million after-tax gain on sale of the remaining assets of CIS. Discontinued operations in fiscal 2013 included a loss of \$32.7 million (\$32.2 million after-tax) on the sale of Broadcast Communications in the third quarter of fiscal 2013, as well as non-cash impairment charges totaling \$314.4 million (\$297.3 million after-tax) recorded during the first two quarters of fiscal 2013 related to Broadcast Communications based on indicators of value, including financial performance, market conditions, indications of value from interested parties and our entering into a definitive Asset Sale Agreement relating to the sale of Broadcast Communications. Additionally, based on market indications during fiscal 2013, we recorded non-cash impairment charges totaling \$16.5 million (\$10.1 million after-tax) to write down assets of CIS to their estimated fair value, less estimated costs to sell.

Fiscal 2013 Compared With Fiscal 2012: Discontinued operations in fiscal 2013 included the items noted for fiscal 2013 in the discussion above regarding fiscal 2014 compared with fiscal 2013. Discontinued operations in fiscal 2012 included non-cash impairment charges totaling \$447.6 million (\$417.0 million after-tax) related to Broadcast Communications and charges of \$142.6 million (\$90.2 million after-tax) for

impairment of goodwill and other long-lived assets and for exit and disposal costs related to CIS.

See *Note 3: Discontinued Operations* in the Notes for further information.

Table of Contents**Income From Continuing Operations Per Diluted Common Share Attributable to Harris Corporation Common Shareholders**

Fiscal 2014 Compared With Fiscal 2013: The increase in income from continuing operations per diluted common share in fiscal 2014 compared with the fiscal 2013 was primarily due to the same reasons noted in the discussions above in this MD&A regarding fiscal 2014 compared with fiscal 2013 and by the reduction in average common shares outstanding as a result of shares repurchased.

Fiscal 2013 Compared With Fiscal 2012: The decrease in income from continuing operations per diluted common share in fiscal 2013 compared with the fiscal 2012 was primarily due to the same reasons noted in the discussions above in this MD&A regarding fiscal 2013 compared with fiscal 2012, partially offset by the reduction in average common shares outstanding as a result of shares repurchased.

See the **Common Stock Repurchases** discussion below in this MD&A for further information.

Discussion of Business Segment Results of Operations**RF Communications Segment**

	2014	2013	2014/2013 Percent Increase/ (Decrease) (Dollars in millions)	2012	2013/2012 Percent Increase/ (Decrease)
Revenue	\$ 1,828.0	\$ 1,849.0	(1.1)%	\$ 2,144.1	(13.8)%
Cost of product sales and services	(889.0)	(886.0)	0.3%	(1,057.0)	(16.2)%
Gross margin	939.0	963.0	(2.5)%	1,087.1	(11.4)%
<i>% of revenue</i>	<i>51.4%</i>	<i>52.1%</i>		<i>50.7%</i>	
ESA expenses	(377.5)	(386.1)	(2.2)%	(383.4)	0.7%
<i>% of revenue</i>	<i>20.7%</i>	<i>20.9%</i>		<i>17.9%</i>	
Segment operating income	\$ 561.5	\$ 576.9	(2.7)%	\$ 703.7	(18.0)%
<i>% of revenue</i>	<i>30.7%</i>	<i>31.2%</i>		<i>32.8%</i>	

Fiscal 2014 Compared With Fiscal 2013: Segment revenue in fiscal 2014 included Tactical Communications revenue of \$1,307.2 million, a 4 percent increase from \$1,255.5 million in fiscal 2013; and Public Safety and Professional Communications revenue of \$520.8 million, a 12 percent decrease from \$593.5 million in fiscal 2013. The increase in Tactical Communications revenue was primarily due to higher revenue in international markets, mostly offset by lower revenue from DoD customers. The decrease in Public Safety and Professional Communications revenue was primarily due to continued market weakness.

The decrease in segment gross margin percentage in fiscal 2014 compared with fiscal 2013 was primarily due to weakness in Public Safety and Professional Communications and a \$7 million benefit from the cumulative effect of a correction made in the fourth quarter of fiscal 2013 in the timing of cost recognition on tactical radio programs. The decrease in segment ESA percentage in fiscal 2014 compared with fiscal 2013 was primarily driven by a \$9 million charge for restructuring actions in the fourth quarter of fiscal 2013 and an out-of-period adjustment in the third quarter of fiscal 2014 related to our post-employment benefit plan that reduced segment general and administrative expenses, partially offset by an 8 percent increase in spending on research and development and the impact of accruals in the first quarter of fiscal 2014 for legal matters related to a Public Safety and Professional Communications program. The decrease in segment operating income and operating income as a percentage of revenue (operating margin percentage) in fiscal 2014 compared with fiscal 2013 reflected the items discussed above regarding this segment.

Segment orders were \$1.63 billion for fiscal 2014, including \$1.13 billion in Tactical Communications and \$497 million in Public Safety and Professional Communications, compared with \$1.90 billion for fiscal 2013, including \$1.34 billion in Tactical Communications and \$562 million in Public Safety and Professional Communications. Segment funded backlog was \$1.13 billion at the end of fiscal 2014, including \$564 million in Tactical Communications and \$570 million in Public Safety and Professional Communications, compared with \$1.34 billion at the end of fiscal 2013, including \$743 million in Tactical Communications and \$598 million in Public Safety and Professional Communications.

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The percentage of this segment's revenue that was derived from sales to U.S. Government customers, including the DoD and intelligence and civilian agencies, as well as foreign military sales funded through the U.S. Government, whether directly or through prime contractors, was approximately 46 percent in fiscal 2014 and 43 percent in fiscal 2013.

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Fiscal 2013 Compared With Fiscal 2012: Segment revenue in fiscal 2013 included Tactical Communications revenue of \$1,255.5 million, a 20 percent decrease from \$1,570.4 million in fiscal 2012; and Public Safety and Professional Communications revenue of \$593.5 million, a 3 percent increase from \$573.7 million in fiscal 2012. The decrease in Tactical Communications revenue reflects the impact of U.S. and international tactical radio procurement delays due to the slowdown in spending resulting from U.S. Government funding constraints experienced under the continuing resolution and magnified when sequestration was triggered, as well as key order delays in the international market.

The increase in segment gross margin percentage in fiscal 2013 compared with fiscal 2012 was primarily driven by a favorable product mix within Tactical Communications and a \$7 million benefit from the cumulative effect of a correction made in the fourth quarter of fiscal 2013 in the timing of cost recognition on tactical radio programs. The increase in segment ESA percentage in fiscal 2013 compared with fiscal 2012 was primarily driven by segment ESA expenses that were only slightly higher compared with fiscal 2012 relative to a 14 percent decrease in segment revenue. Although benefiting from operational excellence initiatives and restructuring actions, segment ESA expenses in fiscal 2013 were slightly higher primarily due to an 8 percent increase in spending on research and development compared with fiscal 2012 and also included a \$9 million charge for restructuring actions in the fourth quarter of fiscal 2013. The decrease in segment operating margin percentage in fiscal 2013 compared with fiscal 2012 reflected the items discussed above regarding this segment for fiscal 2013 compared with fiscal 2012 and was primarily due to the decrease in revenue in Tactical Communications.

Segment orders were \$1.90 billion for fiscal 2013, including \$1.34 billion in Tactical Communications and \$562 million in Public Safety and Professional Communications, compared with \$1.94 billion for fiscal 2012, including \$1.47 billion in Tactical Communications and \$468 million in Public Safety and Professional Communications. Segment funded backlog was \$1.34 billion at the end of fiscal 2013, including \$743 million in Tactical Communications and \$598 million in Public Safety and Professional Communications, compared with \$1.30 billion at the end of fiscal 2012, including \$665 million in Tactical Communications and \$635 million in Public Safety and Professional Communications.

The percentage of this segment's revenue that was derived from sales to U.S. Government customers, including the DoD and intelligence and civilian agencies, as well as foreign military sales funded through the U.S. Government, whether directly or through prime contractors, was approximately 43 percent in fiscal 2013 and 46 percent in fiscal 2012.

Integrated Network Solutions Segment

	2014	2013	2014/2013 Percent Increase/ (Decrease)	2012	2013/2012 Percent Increase/ (Decrease)
	(Dollars in millions)				
Revenue	\$ 1,462.9	\$ 1,575.8	(7.2)%	\$ 1,609.9	(2.1)%
Cost of product sales and services	(1,180.4)	(1,269.1)	(7.0)%	(1,265.3)	0.3%
Gross margin	282.5	306.7	(7.9)%	344.6	(11.0)%
% of revenue	19.3%	19.5%		21.4%	
ESA expenses					