

STAMPS.COM INC
Form 10-K
March 01, 2019
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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 December 31, 2018

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: 000-26427

Stamps.com Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware 77-0454966

(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

1990 E. Grand Avenue

El Segundo, California 90245

(Address of Principal Executive Offices and Zip Code)

Registrant's Telephone Number, Including Area Code: (310) 482-5800

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of Each Exchange on Which Registered
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Common Stock, \$.001 par value	The NASDAQ Stock Market, LLC
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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 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 (§232.405 of this chapter) 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, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No
As of June 29, 2018, the aggregate market value of voting common stock held by non-affiliates of the Registrant was \$4,415,776,705 (based upon the closing price of \$253.05 per share for shares of the Registrant's Common Stock as reported by The NASDAQ Stock Market on that date). As of January 31, 2019, there were 17,527,387 shares of the Registrant's Common Stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2019 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission are incorporated by reference in Part III of this Form 10-K.

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PART I.

This Annual Report on Form 10-K (“Report”) contains “forward-looking statements” within the meaning 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”). You can find many (but not all) of these statements by looking for words such as “approximates,” “believes,” “expects,” “anticipates,” “estimates,” “projects,” “seeks,” “intends,” “plans,” “could,” “would,” similar expressions in this Report. Our forward-looking statements relate to future events or our future performance and include, but are not limited to, statements concerning our business strategy, future commercial revenues, market growth, capital requirements, new product introductions, expansion plans and the adequacy of our funding. Other statements contained in this Report that are not historical facts are also forward-looking statements.

We claim the protection of the safe harbor contained in the Private Securities Litigation Reform Act of 1995. We caution investors that any forward-looking statements presented in this Report, or that we may make orally or in writing from time to time, are based on beliefs and assumptions made by us and information available to us at the time made. Such statements are based on assumptions, and the actual outcome will be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control or ability to predict. Although we believe that our assumptions are reasonable, they are not guarantees of future performance, and some will inevitably prove to be incorrect. As a result, our actual future results can be expected to differ from our expectations, and those differences may be material. Accordingly, investors should use caution in relying on forward-looking statements to anticipate future results or trends.

For discussion of some of the factors that could affect our results, see Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Item 1A. “Risk Factors.”

This Report and all subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances after the date of this Report.

Our trade names and registered trademarks include Stamps.com, Auctane, Endicia, MetaPack, NetStamps, PhotoStamps, ShippingEasy, ShipStation, ShipWorks, and the Stamps.com logo. This Report also references trade names and trademarks of other entities. References in this Report to “we” “us” “our” or “Company” are references to Stamps.com Inc. and its subsidiaries.

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ITEM 1. BUSINESS.

Overview

Stamps.com® is a leading provider of Internet-based mailing and shipping solutions in the United States and Europe. Under the Stamps.com and Endicia® brands, customers use our United States Postal Service (USPS) only solutions to mail and ship a variety of mail pieces and packages through the USPS. Customers using our solutions can receive discounted postage rates compared to USPS.com and USPS retail locations on certain mail pieces such as First Class letters and domestic and international Priority Mail® and Priority Mail Express® packages. Stamps.com was the first ever USPS-approved PC Postage vendor to offer a software only mailing and shipping solution in 1999. Endicia became a USPS-approved PC Postage vendor in 2000. Under the MetaPack™, ShippingEasy®, ShipStation®, and ShipWorks® brands, customers use our multi-carrier solutions to ship packages through multiple carriers such as Canada Post, DHL, FedEx, Royal Mail, UPS, USPS, and others. Our customers include individuals, small businesses, home offices, medium-size businesses, large enterprises, e-commerce merchants, large retailers, and warehouse shippers.

Mailing and Shipping Business References

When we refer to our "mailing and shipping business," we are referring to our mailing and shipping products and services including our USPS and multi-carrier mailing and shipping solutions, mailing and shipping integrations, mailing and shipping supplies stores, and branded insurance offerings. We do not include our customized postage business when we refer to our mailing and shipping business. When we refer to our "mailing and shipping revenue," we are referring to our service, product, and insurance revenue generated by our mailing and shipping customers. We do not include our customized postage revenue generated by our customized postage business in our "mailing and shipping revenue."

Services and Products

Mailing and Shipping Business

We offer the following mailing and shipping products and services to our customers under the Stamps.com, Endicia, MetaPack, ShippingEasy, ShipStation, and ShipWorks brands:

USPS Mailing and Shipping Solutions

Under the Stamps.com and Endicia brands, customers use our USPS-approved mailing and shipping solutions to mail and ship a variety of mail pieces and packages through the USPS. Customers can purchase and print postage 24 hours a day, seven days a week, through our software or web interfaces. Typically, customers fund an account balance prior to using our service.

Our USPS mailing and shipping solutions enable users to print "electronic postage" directly onto envelopes, plain paper, or labels using only a standard personal computer, printer, and Internet connection. Our solutions support a variety of USPS mail classes including First Class Mail®, Media Mail®, Parcel Select®, Priority Mail, Priority Mail Express, and others. Customers can also add USPS Special Services to their mail pieces, such as Certified Mail®, Collect on Delivery, Insured Mail, Registered Mail®, Restricted Delivery, Return Receipt, Signature Confirmation™, and USPS Tracking®. Our customers can print postage (1) on NetStamps® labels, which can be used just like regular stamps, (2) on envelopes and postcards or on labels in a single step process that saves time and provides a professional look, (3) on plain 8.5" x 11" paper or on special labels for packages, and (4) on integrated customs forms for international mail and packages.

Our mailing and shipping solutions incorporate address verification technology that verifies each destination address for mail or packages sent using our solutions against a database of all known addresses in the United States. Our mailing and shipping solutions are also integrated with common small business and productivity software applications such as word processing, contact and address management, and accounting and financial applications. Our shipping solutions feature integrations with hundreds of partners and carriers including popular shipping management products, shopping carts, online marketplaces, and other e-commerce solutions.

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We target different customer categories with service plans that provide various features and capabilities. We target smaller offices, home offices, and smaller online sellers that need a more basic set of mailing and shipping features. We target larger enterprises that need a richer set of mailing capabilities such as multiple-user functionality, automated Certified Mail forms, additional reference codes and higher allowable postage balances. We target shippers such as e-commerce merchants, online retailers, fulfillment houses, warehouses, and large retailers that need shipping specific features such as direct integration into the customer's order databases, faster label printing speed, and the ability to customize and save shipping profiles. We target large corporations with multiple geographic locations that need enhanced reporting and the ability for a central location, such as a corporate headquarters, to have greater visibility and control over postage expenditures across their distributed network of locations. We target large volume mailers that need features designed for presort mail, Certified Mail, and bulk address updating.

Customers may pay us a monthly fee, based on a subscription plan which may be waived or refunded for certain customers, for which we provide them access to our platform. We have been, and in the future potentially could be, compensated directly by the USPS and/or other carriers for shipping labels printed that meet certain requirements. For an update on certain historical arrangements, see "Risk Factors--Risks Related to our Industry--The discontinuation of certain financial compensation arrangements with the USPS will have an adverse effect on our revenues and operating results, unless we are successful in replacing the lost revenue and profit with similar compensation from the USPS or other potential partners, of which there is no assurance." We may earn revenue from customers that have access to our platform when they purchase postage or print shipping labels. We may earn revenue that may take the form of some or all of the spread between the rate a customer pays and the rate the carrier or integration partner receives, either charged directly or paid by our partners. We may earn other types of revenue shares or other compensation from specific customers that have access to our platform or through integration partners.

Multi-Carrier Shipping Solutions

We offer multi-carrier shipping solutions through our MetaPack, ShippingEasy, ShipWorks, and ShipStation brands. MetaPack, ShippingEasy, ShipWorks, and ShipStation offer leading multi-carrier solutions for shippers including e-commerce merchants, online retailers, warehouses, fulfillment houses, large retailers, and other types of shippers that use multiple carriers such as Canada Post, DHL, FedEx, Royal Mail, UPS, USPS, and many others. MetaPack, which we acquired on August 15, 2018, provides multi-carrier enterprise-level solutions to many of the world's preeminent e-commerce retailers and brands. MetaPack provides its customers access to a carrier library with support for over 450 parcel carriers. MetaPack's platform also provides sophisticated solutions including carrier management, a carrier optimization engine, a track and trace system, a parcel returns system, a delivery analysis and carrier service-level agreement (SLA) monitoring system, a sophisticated cross-border solution, and a system that provides dynamic delivery options right in the shopping cart. From a single integration, Metapack's customers are able to offer delivery choice and convenience in all major e-commerce markets around the world. Metapack's software also improves its customers' shopping cart order conversion rates and order delivery satisfaction ratings.

ShippingEasy, which we acquired on July 1, 2016, offers web-based multi-carrier shipping solutions that allow online retailers and e-commerce merchants to organize, process, fulfill, and ship their orders quickly and easily.

ShippingEasy's solutions feature over 50 integrations with partners and carriers, including marketplaces, shopping carts, and e-commerce platforms, allowing its customers to import and export fulfillment and tracking data in real time across all of their selling channels. ShippingEasy's solutions download orders from all selling channels and automatically map custom shipping preferences, rates, and delivery options across all of its supported carriers.

ShippingEasy's easy-to-use solutions also include complimentary access to ShippingEasy customer service shipping specialists helping merchants to streamline workflow and save on shipping costs.

ShipWorks, which we acquired on August 29, 2014, offers software-based multi-carrier shipping solutions that target e-commerce merchants, online retailers, fulfillment houses, and warehouses. ShipWorks offers simple, powerful, and easy to use solutions for shippers. ShipWorks' solutions feature over 100 integrations with partners and carriers, including marketplaces, shopping carts and e-commerce platforms. ShipWorks offers multi-carrier shipping options and features including importing orders from any marketplace or shopping cart, easily comparing shipping rates and

services, sending email notifications to buyers, updating online order status, generating reports, and many more.

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ShipStation, which we acquired on June 10, 2014, offers web-based multi-carrier shipping solutions under the brand names ShipStation and Auctane® that target e-commerce merchants, online retailers, fulfillment houses, and warehouses. ShipStation's solutions feature over 300 integrations with partners and carriers, including marketplaces, shopping carts, and e-commerce platforms. ShipStation offers multi-carrier shipping options and automation features like custom hierarchical rules and product profiles that allow customers to easily and automatically optimize their shipping. Using ShipStation, an online retailer or e-commerce merchant can ship their orders from wherever they sell and however they ship.

Consolidation Services

As part of our mailing and shipping business, we offer domestic and international shipping services through consolidators, who group packages by destination and ship the packages directly or through partners. These services seek to take advantage of economies of scale, with the goal of yielding lower shipping costs for our customers.

Mailing and Shipping Integrations

As part of our mailing and shipping services, we offer back-end integration solutions where we provide the electronic postage for transactions to partners who manage the front-end users. Our solutions integrate directly into the most popular e-commerce platforms, allowing web store managers to completely automate their order fulfillment process by processing, managing, and shipping orders from virtually any e-commerce source through a single interface without manual data entry. Managers can retrieve order data and print complete shipping labels for all types of packages.

We have integration partnerships with the USPS where we provide electronic postage for mailing and shipping transactions generated by certain USPS-branded programs. For example, we provide the electronic postage for Click-N-Ship®, a web-based service available at USPS.com that allows USPS customers to purchase and print shipping labels for certain domestic and international mail classes or packages at no additional mark-up over the cost of postage.

In addition, MetaPack, ShipStation, ShipWorks, and ShippingEasy have hundreds of integrations with partners and carriers, including marketplaces, shopping carts, and e-commerce platforms as part of their multi-carrier shipping solutions. Integrations with partners include Amazon, BigCommerce, ChannelAdvisor, eBay, Magento, PayPal, Shopify, Volusion, Yahoo! Stores, and many others. Carrier integrations include Canada Post, DHL, FedEx, Royal Mail, UPS, USPS, and many others.

Mailing & Shipping Supplies Stores

Stamps.com and Endicia's mailing & shipping supplies stores (our "Supplies Stores") are available to our customers from within our mailing and shipping solutions and sell NetStamps labels, shipping labels, other mailing labels, dedicated postage printers, scales, and other mailing and shipping-focused office supplies. Our Supplies Stores feature store catalogs, messaging regarding free or discounted shipping promotions, cross-selling product recommendations during the checkout process, product search capabilities, and same-day shipping of orders with expedited shipping options. Our multi-carrier solutions do not have mailing and shipping supplies stores as part of their solutions.

Branded Insurance

We offer branded insurance for USPS packages to our customers so that they may insure their mail or packages in a fully integrated, online process that eliminates any trips to the post office or the need to complete any special forms. Our branded insurance is offered by certain brands including Stamps.com, Endicia, ShippingEasy, ShipStation, and ShipWorks as part of their USPS and multi-carrier solutions. Our branded insurance is provided by our insurance providers.

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International

We offer international mailing and shipping solutions for both our US domestic customers mailing and shipping to destinations outside the US and, primarily through our subsidiaries, mailing and shipping solutions for customers outside the US directly from international posts and carriers. Some of our international carriers include Australia Post, Canada Post, French Post, and Royal Mail.

Customized Postage

We offer customized postage under the PhotoStamps® brand name. Customized postage is a patented form of postage that allows consumers to turn digital photos, designs or images into valid USPS-approved postage. With this product, individuals or businesses can create customized USPS-approved postage using pictures of their children, pets, vacations, celebrations, business logos, and more. Customized postage can be used as regular postage to send letters, postcards or packages. PhotoStamps is available from our www.photostamps.com website.

Customer Value Proposition for our Mailing and Shipping Business

Shippers

Our shipping customers save time and optimize their shipping operations in a number of ways including:

- (1) Our solutions allow customers to easily access more than 450 domestic and international carriers from a single user interface;
- (2) Our solutions support all of a customer's selling channels from a single user interface including multiple marketplaces, shopping carts, their own websites and e-commerce platforms;
- (3) Our solutions allow customers to organize their daily shipping tasks such as search, filter and combining orders into a single unified list;
- (4) Our solutions support operations and label printing with address verification, rate and delivery time comparisons, using high volume scales and printers, adding integrated insurance and generating packing slips;
- (5) Our solutions allow customers to automate and simplify the processing of a large volume of daily orders through batch processing, custom hierarchical rules, shipping presets and automated customer emails;
- (6) Our solutions provide a complete record of all packages sent with the ability to retrieve delivery status information quickly and easily;
- (7) Our USPS solutions allow customers to generate a single bar-coded form that represents multiple packages in a single shipment so that the USPS can scan the single form to accept all of the packages at once and the customer gets a record that all the packages were accepted by the USPS; and
- (8) Our solutions allow customers to send USPS packages with the value of the postage hidden, which is a useful feature for e-commerce shippers that may not want the recipient to see actual shipping cost information.

Our shipping customers save money in a number of ways including:

- (1) Our solutions allow customers to receive discounts for most USPS packages;
- (2) Our multi-carrier solutions allow customers to optimize between carriers by selecting the lowest cost option based on package size, weight, destination distance and delivery times;
- (3) Our solutions allow customers to reduce their customer support costs by automatically generating and sending package delivery status e-mails to customers; and
- (4) Our USPS solutions allow customers to access cost effective USPS package classes such as First Class packages, media mail and parcel select.

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Small Businesses and Large Enterprises

Our small business and large enterprise customers can also save money in a number of ways including:

- (1) Our USPS solutions allow customers to receive discounts on single piece First Class letter postage rates compared to USPS post offices and other retail USPS locations;
- (2) Our USPS solutions allow customers to receive a discounted rate for most USPS packages compared to USPS.com or retail postal rates;
Our USPS solutions allow customers to calculate the exact amount of postage that is required for a mail piece or
- (3) package depending on mail class, mail form, weight and distance to the destination which allows our customers to avoid overpaying for postage;
- (4) Our USPS solutions allow customers to automatically check and validate destination addresses against the USPS address database so customers do not waste postage on undeliverable-as-addressed mail;
Our USPS solutions provide customers with advanced reporting and administrative controls that improve the tracking and control of postage spend allowing customers to proactively manage and reduce their postage spend.
- (5) The advanced reporting and controls capability is particularly relevant to our large enterprise customers who are managing postage across multiple locations; and
Our USPS solutions allow customers to save up to 50% or more versus the total cost of an entry or mid-level
- (6) traditional postage meter. The total cost of a traditional postage meter can include hardware rental fees, including items such as a postage meter and scale, maintenance and repair costs, insurance fees, fees to purchase postage and the cost to purchase proprietary ink cartridges.

Our small business and large enterprise customers can also save time in a number of ways including:

- (1) Our USPS solutions allow small business customers to mail or ship from their home, office, warehouse or business 24 hours a day, 7 days a week avoiding the time that would ordinarily be spent on a trip to the post office or other retail shipping locations;
Our USPS solutions allow customers to generate mass mailings quickly and easily by printing the address and postage together in a single step process. In addition, printing the address and postage together saves customers
- (2) time on a single mail piece or package by combining a two-step process into a one-step process that produces more professional looking mail;
Our solutions integrate with most small business productivity applications such as word processors, financial
- (3) applications and address books so our customers can save time by utilizing these integrations to print postage through their existing applications; and
Our USPS solutions provide customers with centralized electronic reporting so they can easily access and manage
- (4) their records in one place. The electronic reporting provides greater visibility into postage activity compared to other USPS solutions such as post offices and traditional meters. The advanced reporting and controls capability is particularly relevant to our large enterprise customers who are managing postage spend across multiple locations.

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Marketing of our Mailing and Shipping Business

We target our mailing and shipping marketing at small businesses, home offices, medium-size businesses, large enterprises, e-commerce shippers and warehouse shippers. We market our mailing and shipping solutions through the following channels:

- Affiliate Channels. We utilize the traffic and customers of smaller web sites and other businesses or individuals
- (1) that are too small to qualify for a partnership directly with us by offering financial incentives for these small businesses and individuals to drive traffic to our web site through a third party affiliate management company;
- (2) Direct Mail. We send direct mail pieces to prospective customers with prospect lists purchased from third parties or obtained from partners;
- (3) Direct Sales. We utilize a direct sales force that sells our mailing and shipping solutions to large enterprises, large retailers, and high volume shippers;
- (4) Offline Marketing Programs. We utilize various other offline advertising and marketing programs including telemarketing, tradeshow, retail and other programs;
- Partnerships. We work with strategic partners in order to leverage their web site traffic, marketing programs, and existing customer base to distribute our mailing and shipping software. For example, these partnerships may result
- (5) in a link to our website from a partner's website, a copy of our software included along with a partner's software product, the distribution of our software at a retail location, or the bundling of our software with a hardware device;
- Remarketing. We remarket our solutions to former customers. Our remarketing efforts are generally focused on
- (6) new features that may relate to the reasons former customers stopped using our service. We utilize e-mail and regular mail to communicate new features of our products to our former customers;
- Shipping Integrations. We market our solutions through partner integrations with e-commerce platforms,
- (7) multi-carrier shipping management solutions, shopping cart software and other order-entry management applications;
- (8) Traditional Media. We utilize television commercials and a variety of traditional and internet-based radio endorsements to advertise our solutions;
- (9) Online Advertising. We work with companies to advertise our services online through paid searches, banner ads, permission-based emails, and other online advertising vehicles; and
- (10) USPS Referrals. We market to USPS Account Managers with the goal of receiving customer referrals.

Marketing of Customized Postage

We target our customized postage products to both consumers and businesses. We market our customized postage products through the following channels:

- (1) Direct Sales. Direct sales where we target businesses and not-for-profit organizations for high volume orders;
- (2) Online Advertising. Online advertising including paid search and other online advertising methods;
- (3) Partnerships including with on-line portals for photograph management and personalized products and services; and
- (4) Marketing. Marketing to customers who have purchased customized postage in the past.

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2019 Business Strategy

Mailing and Shipping Business

Our 2019 Mailing and Shipping business strategy includes the initiatives and plans listed below. These initiatives and plans are subject to change without notice based on our analysis of market and business conditions, and constitute “forward-looking statements,” and accordingly are subject to the cautionary statements, qualifications and limitations on forward-looking statements we discuss at the beginning of Part I of this Report.

(1) Leverage our portfolio of mailing and shipping solutions to drive growth.

With the acquisitions of Endicia, MetaPack, ShippingEasy, ShipStation and ShipWorks, we now have a full and diverse suite of solutions across these brands, and we believe that we have a complete product and robust solution that will meet the needs of our current and of our target domestic and international customers. Our customers’ needs vary based on their specific situations including: (1) specific technology or operating system support such as Windows versus Mac and web-based versus client-based solutions; (2) breadth and depth of product features; (3) product ease-of-use which is often traded off versus product capability and complexity; (4) ease and speed for processing large volumes of packages in the fewest number of steps; (5) breadth and depth of integrations with partner solutions such as e-Commerce tools, shopping carts, and online marketplaces; and (6) number of private carriers supported (e.g., DHL, FedEx, UPS, regional carriers, international carriers, etc.). Our goal is to be able to meet the needs of as many customers as possible so that we can maximize our customer acquisition, maximize our average annual revenue per paid customer (ARPU), reduce our monthly customer cancellation rates, or churn, and increase overall customer usage.

(2) Invest for growth in the shipping part of our business.

Our shipping customers include e-commerce merchants, warehouses, fulfillment houses, large retailers and other types of shippers. E-commerce shipping is the fastest growing part of the mailing and shipping industry. According to quarterly U.S. Census Bureau Retail E-Commerce Sales reports, U.S. e-commerce sales for the twelve months ended September 30, 2018 grew approximately 15% over e-commerce sales for the twelve months ended September 30, 2017. According to the United Kingdom's Office for National Statistics, 2017 e-commerce sales by businesses in the UK non-financial sector with 10 employees or more grew 16% over 2016 sales. Accordingly, a large percentage of our company investments are being made to target e-commerce shippers. For 2019 and beyond we expect to continue making these large investments in order to attract these types of shippers to our solutions. Shipping customers are more expensive to acquire than small business customers but yield higher longer-term returns on investment with their typical characteristics including higher ARPU and lower churn when compared to other small businesses that predominately use our services to send mail.

(3) Expand the features and functionality of our solutions, particularly in the shipping part of our business.

We plan to continue to enhance our technology and solutions for our target customers that include e-commerce merchants, warehouses, fulfillment houses, large retailers and other types of shippers. We plan to enhance and add new features and functionality that will improve the value proposition of our solutions for shippers. We plan to add new integrations for easier data export and import from the tools that customers use and add new carrier and partner integrations. We plan to continue to build our support for new products such as inventory management, customer management and mobile solutions. We also plan to continue offering services such as our international shipping program, which bundles international shipping with valuable customer benefits such as free package pickup, free insurance, upgraded delivery speeds, enhanced tracking, simpler customs procedures, and other benefits.

(4) Increase our sales and marketing investment.

Based on recent analysis and trends, we expect to get a strong return on our investment from our mailing and shipping customers because they have a high expected lifetime value relative to the expected cost of acquiring those customers. Accordingly, we plan to increase our total sales and marketing expense in 2019 versus 2018. We plan to continue increasing our investment in direct sales, direct mail, traditional media, radio, television, search engine marketing, search engine optimization as well as refining our customer acquisition process through affiliates, partners, telemarketing and other areas.

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(5) Enhance our enterprise solutions sales and marketing efforts.

Our solutions targeted at enterprise customers continue to have a stronger customer value proposition compared to postage meters and our customers continue to be attracted to our enterprise solution versus a postage meter. We believe this customer preference is based on our lower total cost of ownership and the greater visibility into individual employee activity available from our centralized front-end reporting tool that has capabilities that are not available with a postage meter, such as real time data, improved web-based postage management tools, and enhanced web-based financial and administrative controls for central decision makers. For 2019 we plan to increase, optimize and refine our enterprise customer lead generation and sales and marketing efforts.

Customized Postage

In 2019 we plan to continue marketing customized postage, but with limited spending and expectations. In recent years, we reduced our consumer-focused marketing spending in order to lower our customer acquisition costs and improve our expected returns and profitability in the customized postage business. We plan to continue our programs of focused direct-to-website marketing spending with a goal of keeping the overall cost per acquisition at a level that provides an attractive financial return. We also plan to continue our efforts to generate high volume business orders which have become a larger part of our customized postage business in recent years.

Competition

We compete with all of the alternate ways that consumers and businesses may access the services of the USPS, including retail mailing and shipping locations, USPS online products, USPS software solutions, traditional postage meters, and other USPS-approved PC Postage products. We also compete with other multi-carrier products, e-commerce products with shipping capabilities, shipping technology products available from private carriers, package manifesting systems, and large enterprise software solutions with shipping functionality such as transportation management, warehouse management, or enterprise resource planning systems.

Retail Mailing and Shipping Locations

The majority of our small business customers use our USPS solutions as an alternative to visiting USPS or other retail locations. The USPS owns and operates approximately 31,000 retail post offices across the United States. Many of the USPS retail post offices also feature a USPS kiosk for self-serve mailing and shipping services with more convenient access and over extended access hours. The USPS authorizes thousands of additional contract post offices, community post offices and village post offices which allow third parties to operate post offices that are not owned by the USPS, such as those available in Hallmark stores. We also compete for mailing and shipping customers with alternatives such as postage stamps and prepaid USPS shipping labels available at grocery stores and at discount chains such as Costco. We also compete with USPS mailing and shipping services available at small business mailing and shipping centers such as UPS Stores or FedEx Offices stores, and those available inside office supply stores. Further, we have not been approved to offer our customers “Forever” postage rates, which are rates that do not ever expire and do not require extra postage following a postage rate increase.

We believe customers choose our products over retail mailing and shipping services because of the convenience of our solution, the breadth of features we offer, the quality of our support organization and ability to mail or ship from their home or business without making a trip to retail locations. We believe customers choose retail locations over our solutions because of the additional fees that we typically charge, the convenience of utilizing a retail location, and/or the preference for a Forever postage label.

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Director
Dr. Mohsen Sohi

Director
Dr. James C. Stoffel

Lead Independent Director
Edward F. Thompson

Director

The Board has determined that as of the date of this Proxy Statement, each of our current directors and director nominees except Mr. Kissner and Mr. Pangia has no relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and is otherwise independent in accordance with listing rules of the NASDAQ stock market (the “NASDAQ Listing Rules”).

All directors are requested to attend the annual meeting of stockholders. The majority of our current directors attended last year’s annual meeting.

Board and Committee Meetings and Attendance

During fiscal year 2012, the Board held eight meetings. Each of the board members attended at least 75% percent of the total number of Board meetings and at least 85% percent of the total number of meetings of the committee or committees on which the member served during the fiscal year.

Board Member Qualifications

Our Board believes that its members should encompass a range of talent, skill and expertise enabling it to provide sound guidance with respect to the Company’s operations and interest. Our Board prefers a variety of professional experiences and backgrounds among its members and in addition to considering a candidate’s experiences and background, candidates are reviewed in the context of the current composition of the Board and evolving needs of our businesses. In particular, the Board has sought to include members that have experience in establishing, growing and leading communications companies in senior management positions and serving on the board of directors of other companies. In determining that each of the members of the Board is qualified to be a director, the Board has relied on the attributes listed below and, where applicable, on the direct personal knowledge of each of the members’ prior service on the Board.

Directors' Biographies

The following is a brief description of the business experience and background of each nominee for director, including the capacities in which each has served during at least the past five years:

Mr. Charles D. Kissner, age 65, currently serves as our Chairman of the Board with additional oversight responsibilities for strategic activities and investor relations. Mr. Kissner served as Chief Executive Officer and Chairman of the Board of Aviat from July 2010 to July 2011. He was Chief Executive Officer of Stratex from July 1995 through May 2000, and again from October 2001 to May 2006. He was elected a director of Stratex in July 1995 and Chairman in August 1996. Mr. Kissner also served as Vice President and General Manager of M/A-COM, Inc., a manufacturer of radio and microwave communications products, from July 1993 to July 1995. Prior to that, he was President and CEO of Aristacom International Inc., a communications software company, and Executive Vice President and a Director of Fujitsu Network Switching, Inc. He also held a number of executive positions at AT&T (now Alcatel-Lucent). Mr. Kissner currently serves on the board of directors of ShoreTel, Inc., an IP business telephony systems company, Meru Networks Inc., a provider of advanced enterprise wireless networking systems, and Rambus, Inc., a technology licensing company focusing on the development of technologies that enrich the end-user experience of electronic systems. Mr. Kissner also serves on the board of KQED Public Media, a non-profit organization.

Mr. Kissner brings extensive knowledge of our company's business, having served on our Board as non-executive Chairman for over three years. He also brings nearly fifteen years of relevant chief executive officer experience having served in that capacity at technology driven companies such as Stratex and Aristacom. Mr. Kissner also brings extensive public company directorship and committee experience to the Board which has been an invaluable resource as our company regularly assesses its corporate governance, corporate compliance and risk management obligations. Mr. Kissner has also directly supervised nearly thirty merger and acquisition activities, which experience has been vital to our company in the assessment and integration of acquisition opportunities.

Mr. William A. Hasler, age 70, has served as a member of the board of directors since January 2007. He also serves on the boards of Globalstar, Inc., a supplier of satellite communication services, and Mission West Properties, Inc., a REIT engaged in the management, leasing, marketing, development and acquisition of commercial R&D properties. He is also a trustee of the Schwab Funds. Mr. Hasler served as a member of the Stratex board of directors from August 2001 through January 2007, and was Chairman of the Nominating and Corporate Governance Committee and a member of the Audit Committee. Mr. Hasler served as Chairman of the Board of Directors of Solectron Corporation from 2003 to 2007 and was a member of that board from 1998 to 2007. He was co-Chief Executive Officer and a Director of Apton Corp., a biopharmaceutical company, from 1998 to 2003. From 1991 to 1998, Mr. Hasler was Dean of both the Graduate and Undergraduate Schools of Business at the University of California, Berkeley. Prior to his deanship at UC Berkeley, Mr. Hasler was Vice Chairman of KPMG Peat Marwick.

Mr. Hasler's current and prior service on the boards of several technology-driven companies, including Ditech and Globalstar, and his prior service as Chairman of a large publicly traded company provide him with an extensive knowledge base of complex management, financial, operational and governance issues faced by public companies with international operations. He is a member of the audit committee of various public and private companies. Mr. Hasler has extensive experience in Silicon Valley companies and this experience brings our Board important knowledge and expertise related to corporate finance and accounting, strategic planning, manufacturing, and operations. He brings valuable financial expertise, including extensive knowledge of accounting, auditing and investments in both public and private companies. Additionally, through his service on public company boards, Mr. Hasler has gained an understanding and expertise in public company governance.

Mr. Clifford H. Higgeson, age 72, has served as a member of the board of directors since January 2007. He has more than 40 years of experience in research, consulting, planning and venture investing primarily in the telecommunications industry, with an emphasis on carrier systems and equipment. In 2006, he became a partner with Walden International, a global venture capital firm focused on four key industry sectors: communications, electronics/digital consumer software and IT services, and semiconductors. Mr. Higgeson was a founding partner of ComVentures from 1986 to 2005, and has been a general partner with Vanguard Venture Partners since 1991. He currently serves as a member of the board of directors of Kotura Inc., Xtera Communications Inc., Ygnition Networks, Inc., Ormet Circuits, Inc., Thrupoint, Inc. and Geronimo Windpower. He served as a member of the Stratex board of

directors from March 2006 to January 2007 and served on the Compensation and Strategic Business Development Committees. He previously served as a member of the board of directors of Hatteras Networks Inc. and World of Good.

Mr. Higgerson has more than 35 years of experience in research, consulting, planning and venture investing. He has served on the boards of other public companies and served as a Chair of the Audit Committee for publicly listed companies. His prior Board experience and his experience in research, strategic planning and corporate finance in technology driven companies provide

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him with extensive knowledge of complex issues involved in new product development, strategic planning, financial and governance issues faced by publicly listed companies. His extensive experience with private equity firms and investing provides him with critical experience related to capital raising, economic analysis and mergers and acquisitions.

Mr. Michael A Pangia, age 51, has been our President and Chief Executive Officer and a member of the Board since July 18, 2011. From March 2009 to July 2011, he served as the Chief Sales Officer where he was responsible for company-wide operations of the Global Sales and Services organization. Prior to joining Aviat Networks, Mr. Pangia served as senior vice president, Global Sales Operations and Strategy at Nortel, where he was responsible for all operational aspects of the Global Sales function. Prior to that, he was president of Nortel's Asia region where his key responsibilities included sales and overall business management for all countries where Nortel did business in the region.

Mr. Pangia's current and prior service as a senior executive officer with large technology driven companies with international operations provide him with an extensive knowledge base of complex management, financial, operational and governance issues faced by public companies with global operations. He also brings a high level of financial literacy to the Board through both formal education and over 15 years experience in multiple finance functional areas including cost accounting, financial planning and analysis, and mergers and acquisitions.

Mr. Raghavendra Rau, age 63, has served as a member of the board of directors since November 2010. Mr. Rau currently serves as Chief Executive Officer and a member on the board of directors of SeaChange International Inc., a manufacturer of digital video systems and provider of related services to cable, telecommunications and broadcast television companies worldwide. Previously, Mr. Rau served as a member of the board of directors of Microtune, Inc., prior to its acquisition by Zoran, Inc., from May 2010 to December 2010. Mr. Rau served as Senior Vice President of the Mobile TV Solutions Business of Motorola, Inc. ("Motorola"), from May 2007 until January 2008, and as Senior Vice President of Strategy and Business Development, Networks & Enterprise of Motorola from March 2006 to May 2007. Mr. Rau served as Corporate Vice President of Global Marketing and Strategy for Motorola from 2005 to 2006, and as Corporate Vice President, Marketing and Professional Services, from 2001 to 2005. From October 1992 to 2001, Mr. Rau served in various positions within Motorola, including as Vice President of Strategic Business Planning and Vice President of Sales and Operations and held positions in Asia and Europe. Mr. Rau is a former Chairman of the QuEST Forum, a collaboration of service providers and suppliers dedicated to telecom supply chain quality and performance, and was a Director of the Center for Telecom Management at the University of Southern California. Mr. Rau also served on the Motorola Partnership Board of France Telecom.

Mr. Rau's financial and business expertise, including a diversified background in global marketing and business strategy and venture capital and market development for communications and high-technology companies, provides him with the qualifications and skills to serve as a director.

Dr. Mohsen Sohi, age 53, has served as a member of the board of directors since 2007. He currently serves as the Speaker of the Management Board of Freudenberg & Co. KG, a German technology and manufacturing company. From 2003 through May 2010, Dr. Sohi served as President and Chief Executive Officer of Freudenberg-NOK, a privately-held joint venture partnership between Freudenberg and NOK Corp. of Japan, the world's largest producer of elastomeric seals and custom molded products for automotive and other applications. From 2001 through 2003 he served as President, Retail Store Automation Division, NCR Corporation. From 1986 through 2001 he served in various key positions at Honeywell/Allied Signal Inc., including President, Honeywell Electronic Materials and President, Honeywell Commercial Vehicle Systems. Dr. Sohi currently serves on the board of directors of Steris Corporation, a provider of infection prevention and contamination control products and services, and is also a member of its Compliance Committee as well as the Nominating Committee. He previously served on the board of directors of Hayes Lemmerz International, Inc., a leading worldwide producer of aluminum and steel wheels for cars and trucks. Dr. Sohi's current and prior service as a senior executive officer with large technology driven companies with international operations provide him with an extensive knowledge base of complex management, financial, operational and governance issues faced by public companies with global operations. His engineering, technical and business education has also provided him with knowledge and experience related to research and development, new product introductions, strategic planning, manufacturing, operations, and corporate finance. Dr. Sohi also has gained an understanding of public company governance and executive compensation through his service on public company

boards.

Dr. James C. Stoffel, age 66, currently serves as our lead independent director and has served as a member of the board of directors since January 2007. Presently, Dr. Stoffel is on the board of directors of Harris Corporation, of which he has been a member since August 2003, and is also a member of its Finance Committee and Management Development and Compensation Committee. Additionally, he serves as General Partner of Trillium International, LLC, a private equity company, and is a senior

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advisor to other private equity companies. He also serves on the boards of the following privately held companies: ZBD Solutions, Ltd., Omni-ID Ltd., Quintel Ltd. and Intrinsiq Ltd. Prior to his retirement, Dr. Stoffel was Senior Vice President, Chief Technical Officer and Director of Research and Development of Eastman Kodak Company. He held this position from 2000 to April 2005. He joined Kodak in 1997 as Vice President and Director, Electronic Imaging Products Research and Development, and became Director of Research and Engineering in 1998. Prior to joining Kodak, he was with Xerox Corporation, where he began his career in 1972. His most recent position with Xerox was Vice President, Corporate Research and Technology. Dr. Stoffel serves on the Advisory Board for Research and Graduate Studies at the University of Notre Dame and is a member of the advisory board of the Applied Science and Technology Research Institute, Hong Kong.

Dr. Stoffel's prior service as a senior executive of large, publicly traded, technology driven companies, and his more than 30 years experience focused on technology development, provide him with an extensive knowledge of complex technical research and development projects, management, financial and governance issues faced by a public company with international operations. This experience brings our Board important knowledge and expertise related to research and development, new product introductions, strategic planning, manufacturing, operations, and corporate finance. His experience as an advisor to private equity firms also provides him with additional knowledge related to strategic planning, capital raising, mergers and acquisitions and economic analysis. Dr. Stoffel also has gained an understanding of public company governance and executive compensation through his service on public company boards, including as a lead independent director.

Mr. Edward F. Thompson, age 74, has served as a member of the board of directors since January 2007. He is currently a member of the board of directors of ShoreTel, Inc., an IP business telephony systems company, InnoPath Software, Inc., and XBridge Systems, Inc. a mainframe data discovery company. He is on the Advisory Board of Santa Clara University's Leavey School of Business. Mr. Thompson served as a member of the Stratex board of directors from November 2002 through January 2007, where he was Chairman of the Audit Committee, and served on the Nominating and Corporate Governance Committee. Mr. Thompson was a consultant to Fujitsu Labs of America from 1995 to 2011. From 1976 to 1994, he held various positions at Amdahl Corporation, a multinational manufacturer of large scale computer systems, including Chief Financial Officer and Corporate Secretary, as well as Chairman and CEO of Amdahl Capital Corporation. Mr. Thompson also held positions at U.S. Leasing International, Inc., Computer Sciences Corporation, International Business Machines and Lockheed Missiles and Space Company. Mr. Thompson has contributed as a director or advisor to a number of companies including Fujitsu, Ltd. and several of its subsidiaries, and SonicWALL Inc., a provider of Internet security solutions.

Mr. Thompson brings a high level of financial literacy to the Board and substantial public company directorship and committee experience. He is currently designated as an audit committee financial expert and is the audit committee chair on both public company boards on which he is a member, as well as privately held InnoPath Software. Mr. Thompson's experience with accounting principles, financial reporting rules and regulations, evaluating financial results and generally overseeing the financial reporting process of publicly traded companies makes him an invaluable asset to the Board. Mr. Thompson also brings to the Board significant experience in international operations based upon his past experience as a senior advisor to Fujitsu, as a director of several Fujitsu subsidiaries and portfolio companies and as chief financial officer of Amdahl.

Board Leadership

The Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board as the Board believes it is in the best interests of the Company to make that determination based on the position and direction of the Company and the membership of the Board. When the CEO also serves as Chairman of the Board, our Corporate Governance Guidelines provide for the appointment of a lead independent director.

Accordingly, when our Chairman Charles Kissner was appointed CEO, the Board appointed James Stoffel, an independent director, as lead independent director, with certain duties and responsibilities.

The Board of Directors has maintained the position of Lead Independent Director since our non-executive Chairman recently served as CEO. The Lead Independent Director presides over meetings of the independent directors due to specific subject matter, or in cases where the non-executive Chairman is absent for any other reason. The Board believes that appointing a lead independent director to serve along with a Chief Executive Officer and a non-executive Chairman of the Board has enhanced the Board's oversight of, and independence from, Company management, the ability of the Board to carry out its roles and responsibilities on behalf of our stockholders and our overall corporate governance. Mr. Kissner's part-time employment with the Company expired on July 18, 2012 and he is now considered the non-executive Chairman of the Board. . Although, currently, the roles of the CEO and the Chairman remain separate, upon the recommendation of the Governance and Nominating Committee, the Board determined to continue the role of the lead independent director for the present.

The Board's Role in Risk Oversight

Assessing and managing risk is the responsibility of the management of the Company. The Board, through the Governance and Nominating Committee, oversees and reviews certain aspects of the Company's risk management efforts, focusing on the adequacy of the Company's risk management and risk mitigation processes. At the Board's request, management proposed a process for identifying, evaluating and monitoring material risks and such process has been approved by the Board and is currently in effect. This risk management program is overseen by senior management who, in connection with their regular review of the overall business, identify and prioritize a broad range of material risks (e.g., financial, strategic, compliance and operational). Senior management also discusses mitigation plans to address such material risks. Prioritized risks and management's plans for mitigating such risks are regularly presented to the full Board for discussion and in order to ensure monitoring. In addition to the risk management program, the Board encourages management to promote a corporate culture that incorporates risk management into the Company's corporate strategy and day-to-day business operations.

A discussion of risk factors in the Company's compensation design can be found below under the heading "Risk Considerations in Our Compensation Program".

Board of Directors Committees

Our Board of Directors maintains an Audit Committee, a Compensation Committee and a Governance and Nominating Committee. Copies of the charters for the Audit Committee, the Compensation Committee and the Governance and Nominating Committee are available on our website www.investors.aviatnetworks.com/documents.cfm.

The following table shows, for fiscal year 2012, the Chairman and members of each committee, the number of committee meetings held and the principal functions performed by each committee.

Committee	Number of Meetings in Fiscal 2012	Members	Principal Functions
Audit	13	Edward F. Thompson* Eric C. Evans** William A. Hasler Raghavendra Rau	<ul style="list-style-type: none"> • Selects our independent registered public accounting firm • Reviews reports of our independent registered public accounting firm • Reviews and pre-approves the scope and cost of all services, including all non-audit services, provided by the firm selected to conduct the audit • Monitors the effectiveness of the audit process • Reviews management's assessment of the adequacy of financial reporting and operating controls • Monitors corporate compliance program
Compensation	7	Dr. James C. Stoffel* Clifford H. Higgerson Dr. Mohsen Sohi	<ul style="list-style-type: none"> • Reviews our executive compensation policies and strategies • Oversees and evaluates our overall compensation structure and programs • Develops and implements policies and practices relating to corporate governance • Reviews and monitors implementation of our policies and procedures • Reviews the process by which management identifies and mitigates key areas of risk and reviews critical risk areas with the Board of Directors
Governance and Nominating	5	William A. Hasler* James C. Stoffel Clifford H. Higgerson	<ul style="list-style-type: none"> • Assists in developing criteria for open positions on the Board of Directors • Reviews and recommends nominees for election of directors to the Board • Reviews and recommends policies, if needed for selection of candidates for directors

* Chairman of Committee

** Board and committee service ended November 2011

Audit Committee

The Audit Committee is primarily responsible for selecting, and approving the services performed by, our independent registered public accounting firm, as well as reviewing our accounting practices, corporate financial reporting and system of internal controls over financial reporting. The Audit Committee currently consists of Messrs. Thompson (Chairman), Hasler and Rau. No material amendments to the Audit Committee Charter were made during fiscal year 2012. The Audit Committee is comprised of independent, non-employee members of our Board who are “financially sophisticated” under the NASDAQ Listing Rules.

The Board has determined that each of Messrs. Thompson and Hasler qualifies as an “audit committee financial expert,” as defined under Item 407(d)(5)(i) of Regulation S-K under the Securities Act of 1933 and the Securities Exchange Act of 1934, but that status does not impose on either of them duties, liabilities or obligations that are greater than the duties, liabilities or obligations otherwise imposed on them as members of our Audit Committee and the Board.

Compensation Committee

The Compensation Committee has the authority and responsibility to approve our overall executive compensation strategy, to administer our annual and long-term compensation plans and to review and make recommendations to the Board regarding executive compensation. The Compensation Committee is comprised of independent, non-employee members of the Board in accordance with NASDAQ Listing Rules. During fiscal year 2012, the Compensation Committee utilized Pearl Meyer & Partners as an independent, third-party consulting firm.

Compensation Committee Interlock and Insider Participation

The Compensation Committee currently consists of Messrs. Stoffel (Chairman), Higgerson and Sohi. None of these individuals is an officer or employee or former officer of the Company. None of our executive officers currently serves or in the past year has served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board of Directors or Compensation Committee.

Governance and Nominating Committee

The Governance and Nominating Committee currently consists of Messrs. Hasler (Chairman), Higgerson, and Stoffel. Each member of the committee meets the independence requirements of the NASDAQ Listing Rules.

The Governance and Nominating Committee develops and implements policies and practices related to corporate governance consistent with sound corporate governance principles. The committee also reviews the process by which management identifies and mitigates key areas of risk and reviews critical risk areas with the Board.

The Governance and Nominating Committee also recommends candidates to the Board and periodically reviews whether a more formal selection policy should be adopted. There is no difference in the manner in which the committee members evaluate nominees for director based on whether the nominee is recommended by a stockholder. We currently do not pay a third party to identify or assist in identifying or evaluating potential nominees, although we may in the future utilize the services of such third parties.

In reviewing potential candidates for the Board, the Governance and Nominating Committee considers the individual's experience and background. Candidates for the position of director should exhibit proven leadership capabilities, high integrity, exercise high level responsibilities within their chosen career, and possess an ability to quickly grasp complex principles of business, finance, international transactions and communications technologies. In general, candidates who have held an established executive level position in business, finance, law, education, research, government or civic activity will be preferred.

While the Governance and Nominating Committee has not adopted a formal diversity policy with regard to the selection of director nominees, diversity is one of the factors that the committee considers in identifying director nominees. When identifying and recommending director nominees, the committee views diversity expansively to include, without limitation, concepts such as race, gender, national origin, differences of viewpoint, professional experience, education, skill and other qualities or attributes that contribute to board diversity. As part of this process, the committee evaluates how a particular candidate would strengthen and increase the diversity of the Board in terms of how that candidate may contribute to the Board's overall balance of perspectives, backgrounds, knowledge, experience, skill sets and expertise in substantive matters pertaining to the Company's business.

In making its recommendations, the Governance and Nominating Committee bears in mind that the foremost responsibility of a director of a corporation is to represent the interests of the stockholders as a whole. The committee intends to continue to evaluate candidates for election to the Board on the basis of the foregoing criteria.

Stockholder Communications with the Board

Stockholders who wish to communicate directly with the Board may do so by submitting a comment via the Company's website at <http://www.investors.aviatnetworks.com/contactBoard.cfm> or by sending a letter addressed to: Aviat Networks, Inc., c/o Corporate Secretary, 5200 Great America Parkway, Santa Clara, CA 95054. The Corporate Secretary monitors these communications and provides a summary of all received messages to the Board at its regularly scheduled meetings. When warranted by the nature of communications, the Corporate Secretary will request prompt attention by the appropriate committee or independent director of the Board, independent advisors, or management. The Corporate Secretary may decide in her judgment whether a response to any stockholder communication is appropriate.

Code of Conduct

We implemented our Code of Conduct effectively on January 26, 2007. All of our employees, including the Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer, are required to abide by the Code of Conduct to help ensure that our business is conducted in a consistently ethical and legal manner. The Audit Committee has adopted a written policy, and management has implemented a reporting system, intended to encourage our employees to bring to the attention of management and the Audit Committee any complaints regarding the integrity of our internal system of controls over financial reporting, or the accuracy or completeness of financial or other information related to our financial statements.

TRANSACTIONS WITH RELATED PERSONS

During fiscal 2012, we believe there were no transactions, or series of similar transactions, to which we were or are to be a party in which the amount exceeded \$120,000, and in which any of our directors or executive officers, any holders of more than 5% of our common stock or any members of any such person's immediate family, had or will have a direct or indirect material interest, other than compensation described in the sections titled "Director Compensation and Benefits" and "Executive Compensation".

It is the policy and practice of our Board to review and assess information concerning transactions involving related persons. Related persons include our directors and executive officers and their immediate family members. If the determination is made that a related person has a material interest in a transaction involving us, then the disinterested members of our Board would review and approve or ratify it, and we would disclose the transaction in accordance with SEC rules and regulations. If the related person is a member of our Board, or a family member of a director, then that director would not participate in any discussion involving the transaction at issue.

Our Code of Conduct prohibits all employees, including our executive officers, from benefiting personally from any transactions with us other than approved compensation benefits.

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DIRECTOR COMPENSATION AND BENEFITS

The form and amount of director compensation is reviewed and assessed from time to time by the Compensation Committee with changes, if any, recommended to the Board for action. Director compensation may take the form of cash, equity, and other benefits ordinarily available to directors.

Directors who are not employees of ours received the following fees, as applicable, for their services on our Board during fiscal year 2012:

• \$60,000 basic annual cash retainer, payable on a quarterly basis, which a director may elect to receive in the form of shares of common stock;

• \$10,000 annual cash retainer, payable on a quarterly basis, for service as Chairman of the Audit Committee;

• \$5,000 annual cash retainer, payable on a quarterly basis, for service as Chairman of the Governance and Nominating Committee of our Board;

• \$8,000 annual cash retainer, payable on a quarterly basis, for service as Chairman of the Compensation Committee;

• Annual grant of restricted shares of common stock valued (based on market prices on the date of grant) at \$30,000, with 100 percent vesting in one year, subject to continuing service as a director;

• Annual grant of options to purchase common stock valued (based on U.S. GAAP values of the options on the date of grant) at \$30,000, with an exercise price per share equal to the market prices on the date of grant and with 100 percent vesting in one year, subject to continuing service as a director;

• \$18,000 annual cash retainer, payable on a quarterly basis, for service as the lead independent director of our Board.

Directors are eligible to defer payment of all or a portion of the retainer fees and restricted stock awards that are payable to them. Directors may choose either a lump sum or installment distribution of such fees and awards.

Installment distributions are payable in annual installments over a period no longer than 10 years.

We reimburse each non-employee director for reasonable travel expenses incurred and in connection with attendance at Board and committee meetings on our behalf, and for expenses such as supplies and continuing director education costs, including travel for one course per year. Employee directors are not compensated for service as a director.

Fiscal 2012 Compensation of Non-Employee Directors

Our non-employee directors received the following aggregate amounts of compensation in respect of the fiscal year ended June 29, 2012.

Name	Fees Earned or Paid in Cash	Stock Awards (1)	Option Awards (1)	Non-Equity Incentive Plan Compensation	Changes in Pension Value and Non-Qualified Deferred Compensation Earnings	All Other Compensation	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Eric C. Evans*	30,000	—	—	—	—	—	30,000
William A. Hasler	65,000	28,386	29,997	—	—	—	123,383
Clifford H. Higginson	60,000	28,386	29,997	—	—	—	118,383
Raghavendra Rau	75,000	28,386	29,997	—	—	—	133,383
Dr. Mohsen Sohi	60,000	28,386	29,997	—	—	—	118,383
Dr. James C. Stoffel	86,000	28,386	29,997	—	—	—	144,383
Edward F. Thompson	70,000	28,386	29,997	—	—	—	128,383

*Board and committee service ended November 2011

The amounts shown in this column reflect the aggregate grant date fair value of the stock awards and option awards granted to our non-employee directors computed in accordance with FASB ASC Topic 718. The (1) assumptions made in determining the fair values of our stock awards and option awards are set forth in Notes 1 and 10 to our fiscal 2012 Consolidated Financial Statements in Part II, Item 8 of our Annual Report on Form 10-K filed with the SEC on September 4, 2012.

As of June 29, 2012, our non-employee directors held the following numbers of unvested restricted shares of common stock and stock options granted under the 2007 Stock Equity Plan, as Amended and Restated Effective November 17, 2011:

Name	Unvested Stock Awards	Unvested Option Awards
William A. Hasler	13,453	27,767
Clifford H. Higginson	13,453	27,767
Raghavendra Rau	13,453	27,767
Dr. Mohsen Sohi	13,453	27,767
Dr. James C. Stoffel	13,453	27,767
Edward F. Thompson	13,453	27,767

Indemnification

Our Bylaws require us to indemnify each of our directors and officers with respect to their activities as a director, officer, or employee of ours, or when serving at our request as a director, officer, or trustee of another corporation, trust, or other enterprise, against losses and expenses (including attorney fees, judgments, fines, and amounts paid in settlement) incurred by them in any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, to which they are, or are threatened to be made, a party(ies) as a result of their service to us. In addition, we carry directors' and officers' liability insurance, which includes similar coverage for our directors and executive officers. We will indemnify each such director or officer for any one or a combination of the following, whichever is most advantageous to such director or officer:

• The benefits provided by our Bylaws in effect on the date of the indemnification agreement or at the time expenses are incurred by the director or officer;

• The benefits allowable under Delaware law in effect on the date the indemnification bylaw was adopted, or as such law may be amended;

• The benefits available under liability insurance obtained by us; and

• Such benefits as may otherwise be available to the director or officer under our existing practices.

Under our Bylaws, each director or officer will continue to be indemnified even after ceasing to occupy a position as an officer, director, employee or agent of ours with respect to suits or proceedings arising from his or her service with us.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of our common stock as of September 7, 2012 by each person or entity known by us to beneficially own more than 5 percent of our common stock, by our directors, by our named executive officers and by all our directors and executive officers as a group. Except as indicated in the footnotes to this table, and subject to applicable community property laws, the persons listed in the table below have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them. Unless otherwise indicated, the address of each of the beneficial owners identified is c/o Aviat Networks, Inc., 5200 Great America Parkway, Santa Clara, CA 95054. As of September 7, 2012, there were 61,432,077 shares of our common stock outstanding.

Name and Address of Beneficial Owner	Shares Beneficially Owned as of September 7, 2012(1)		
	Number of Shares of Common Stock(2)		Percentage of Voting Power of Common Stock
Tocqueville Asset Management LP 40 West 57th Street New York, NY 10019	4,276,480	(3)	6.96 %
BlueMountain Capital Management LLC 280 Park Ave., 5th Floor East New York, NY 10017	3,600,902	(4)	5.86 %
BlackRock Fund Advisors 400 Howard Street San Francisco, CA 94105	3,521,382	(5)	5.73 %
PENN Capital Management Co., Inc. 3 Crescent Drive, Suite 400 Philadelphia, PA 19112	3,424,088	(6)	5.57 %
Dimensional Fund Advisors, Inc. 6300 Bee Cave Road Building One Austin, TX 78746	3,210,936	(7)	5.23 %
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	3,177,660	(8)	5.17 %
NAMED EXECUTIVE OFFICERS AND DIRECTORS			
William A. Hasler	77,651	(9)	*
Clifford H. Higginson	201,258	(10)	*
Edward J. Hayes, Jr.	389,718	(11)	*
Paul A. Kennard	312,112	(12)	*
Charles D. Kissner	427,925	(13)	*
Shaun McFall	257,397	(14)	*
Michael Pangia	593,072	(15)	*
Raghavendra Rau	39,958	(16)	*
Dr. Mohsen Sohi	69,112	(9)	*
Dr. James C. Stoffel	68,963	(9)	*
Heinz H. Stumpe	260,457	(17)	*
Edward F. Thompson	71,463	(9)	*
All directors and executive officers as a group (12 persons)	2,769,086	(18)	4.51 %

* Less than one percent

(1) Beneficial ownership is determined under the rules and regulations of the SEC, and generally includes voting or dispositive power with respect to such shares.

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- Shares of common stock that a person has the right to acquire within 60 days are deemed to be outstanding and beneficially owned by that person for the purpose of computing the total number of shares beneficially owned by that person and the percentage ownership of that person, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person or group. Accordingly, the amounts in the table include shares of common stock that such person has the right to acquire within 60 days of September 7, 2012 by the exercise of stock options.
- (2) Based upon a Form 13F filing by Tocqueville Asset Management LLP with the Securities and Exchange Commission on July 30, 2012.
 - (3) Based upon a Form 13F filing by BlueMountain Capital Management LLC with the Securities and Exchange Commission on August 14, 2012.
 - (4) Based upon Form 13F filings by BlackRock, Inc. and its affiliates with the Securities and Exchange Commission on September 7, 2012, reporting ownership of 2,171,721 shares by BlackRock Institutional Trust Company, N.A., and 1,349,661 shares by BlackRock Fund Advisors.
 - (5) Based upon a Form 13F filing by PENN Capital Management Co., Inc. with the Securities and Exchange Commission on August 15, 2012.
 - (6) Based upon a Form 13F filing by Dimensional Fund Advisors LP with the Securities and Exchange Commission on August 13, 2012.
 - (7) Based upon a Form 13F filing by The Vanguard Group, Inc. with the Securities and Exchange Commission on August 13, 2012.
 - (8) Includes options to purchase 20,484 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012.
Includes options to purchase 20,484 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012. Includes 107,895 shares held by, or in trusts for, members of Mr. Higgeson's family. Also includes 24,400 shares held by Higgeson Investments. Mr. Higgeson disclaims beneficial ownership of the shares held in trust and held by Higgeson Investments.
 - (9) Includes options to purchase 216,090 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012.
 - (10) Includes options to purchase 190,399 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012.
Includes options to purchase 101,470 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012. Includes 103,499 shares held by, or in trusts for, members of Mr. Kissner's family. Mr. Kissner disclaims beneficial ownership of the shares held in trust.
 - (11) Includes options to purchase 139,070 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012.
 - (12) Includes options to purchase 293,018 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012.
 - (13) Includes options to purchase 17,647 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012.
 - (14) Includes options to purchase 158,758 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012.
 - (15) Includes options to purchase 1,218,872 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012.
 - (16) Includes options to purchase 1,218,872 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012.
 - (17) Includes options to purchase 1,218,872 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012.
 - (18) Includes options to purchase 1,218,872 shares of common stock that are currently exercisable or will become exercisable within 60 days of September 7, 2012.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee currently consists of three members of the Board, each of whom is independent of the Company and its management, as defined in the NASDAQ Listing Rules. The Board has adopted, and periodically reviews, the Audit Committee charter. The charter specifies the scope of the Audit Committee's responsibilities and how it carries out those responsibilities.

The Audit Committee reviews management's procedures for the design, implementation, and maintenance of a comprehensive system of internal controls over financial reporting and disclosure controls and procedures focused on the accuracy of our financial statements and the integrity of our financial reporting systems. The Audit Committee provides the Board with the results of its examinations and recommendations and reports to the Board as it may deem necessary to make the Board aware of significant financial matters requiring the attention of the Board.

The Audit Committee does not conduct auditing reviews or procedures. The Audit Committee monitors management's activities and discusses with management the appropriateness and sufficiency of our financial statements and system of internal control over financial reporting. Management has primary responsibility for the Company's financial statements, the overall reporting process and our system of internal control over financial reporting. Our independent registered public accounting firm audits the financial statements prepared by management, expresses an opinion as to whether those financial statements fairly present our financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States, or U.S. GAAP, and discusses with the Audit Committee any issues they believe should be raised with us.

The Audit Committee reviews reports from our independent registered public accounting firm with respect to their annual audit and approves in advance all audit and non-audit services provided by our independent auditors in accordance with applicable regulatory requirements. The Audit Committee also considers, in advance of the provision of any non-audit services by our independent registered public accounting firm, whether the provision of such services is compatible with maintaining their independence.

In accordance with its responsibilities, the Audit Committee has reviewed and discussed with management the audited financial statements for the year ended June 29, 2012 and the process designed to achieve compliance with Section 404 of the Sarbanes-Oxley Act of 2002. The Audit Committee has also discussed with our independent registered public accounting firm, Ernst & Young LLP, the matters required to be discussed by SAS No. 114, Communication with Audit Committees as adopted by the Public Company Accounting Oversight Board, or PCAOB, in Rule 3200T. The Audit Committee has received the written disclosures and letter from Ernst & Young LLP required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees as adopted by the PCAOB in Rule 3600T, and has discussed with Ernst & Young LLP its independence, including whether Ernst & Young LLP's provision of non-audit services is compatible with its independence.

Based on these reviews and discussions, the Audit Committee recommended to the Board that the Company's audited financial statements for the year ended June 29, 2012 be included in Company's Annual Report on Form 10-K.

Audit Committee of the Board of Directors

Edward F. Thompson, Chairman
William A. Hasler
Raghavendra Rau

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES

On September 6, 2012, Aviat Networks, Inc. (the “Company”) dismissed Ernst & Young LLP as its independent registered public accounting firm. The Audit Committee of the Company’s board of directors approved the decision to change the Company’s independent registered public accounting firm.

The reports of Ernst & Young LLP on the consolidated financial statements of the Company for the fiscal years ended July 1, 2011 and June 29, 2012 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the two most recent fiscal years ended July 1, 2011 and June 29, 2012 and the subsequent interim period through September 6, 2012, there have been no disagreements with Ernst & Young LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Ernst & Young LLP, would have caused it to make reference to the subject matter of the disagreement(s) in connection with its report on the consolidated financial statements of the Company.

No “reportable events”, as such term is defined in Item 304(a)(1)(v) of Regulation S-K, occurred within the two most recent fiscal years ended July 1, 2011 and June 29, 2012 and the subsequent interim period through September 6, 2012.

The Company filed a Report on Form 8-K on September 12, 2012, which includes as Exhibit 16.1 a letter from Ernst & Young LLP addressed to the Securities and Exchange Commission stating that it agrees with the statements made by the Company therein in response to Item 304(a) of Regulation S-K.

On September 6, 2012, the Audit Committee of the Company’s board of directors approved the engagement of KPMG LLP as its new independent registered public accounting firm for the year ending June 28, 2013. The engagement became effective on September 18, 2012, upon completion by KPMG LLP of its standard client evaluation procedures.

During the two most recent fiscal years ended July 1, 2011 and June 29, 2012 and the subsequent interim period preceding the appointment of KPMG LLP, neither the Company nor anyone on its behalf has consulted KPMG LLP regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company’s financial statements; and as such, neither a written report nor oral advice was provided to the Company that KPMG LLP concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement (as defined in Regulation S-K, Item 304(a)(1)(iv) and the related instructions to this Item) or a “reportable event” (as defined in Regulation S-K, Item 304(a)(1)(v)).

Representatives of both Ernst & Young LLP and KPMG LLP are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

Audit and other fees billed to us by Ernst & Young LLP for the fiscal years ended June, 29, 2012 and July 1, 2011 are as follows:

	2012	2011
Audit Fees(1)	\$1,935,258	\$3,370,293
Audit-Related Fees(2)	—	—
Tax Fees(3)	73,065	92,716
All Other Fees(4)	16,120	—
Total Fees for Services Provided	\$2,024,443	\$3,463,009

Audit Fees include fees associated with the annual audit, as well as reviews of our quarterly reports on Form 10-Q, (1)SEC registration statements, accounting and reporting consultations and statutory audits required internationally for our subsidiaries.

- (2) Audit-related fees include fees for completion of certain statutory registration requirements including fees for accounting consultation.
- (3) Tax Fees were for services related to tax compliance and tax planning services.
- (4) Other Fees include fees billed for other services rendered not included within Audit Fees, Audit Related Fees or Tax Fees.

Ernst & Young LLP did not perform any professional services related to financial information systems design and implementation for us in fiscal 2012 or fiscal 2011.

The Audit Committee has determined in its business judgment that the provision of non-audit services described above is compatible with maintaining Ernst & Young LLP's independence.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview and Summary

This Compensation Discussion and Analysis, which has been prepared by management, is intended to help our stockholders understand our executive compensation philosophy, objectives, elements, policies, practices, and decisions. It is also intended to provide context for the compensation information for our CEO, CFO and the three other most highly compensated executive officers (our “named executive officers”) detailed in the Summary Compensation Table below and in the other tables and narrative discussion that follow.

To understand our approach to executive compensation, you should read the entire Compensation Discussion and Analysis that follows. The following brief summary introduces the major topics covered:

the objectives of our executive compensation program are to reward superior performance, motivate our executives to achieve our goals and attract and retain a world-class management team.

our executive compensation program is overseen by the Compensation Committee of our Board of Directors, which makes recommendations on the program to the full Board. The Compensation Committee is composed solely of independent directors. In its work, the Compensation Committee is assisted by independent compensation consultants engaged by the Compensation Committee.

in reviewing the elements of our executive compensation program—base salary, annual incentives, long-term incentives and post-termination compensation—our Compensation Committee reviews market data relating to each element at similar companies.

our competitive positioning philosophy is to set compensation at the 50th percentile of compensation at peer group companies with allowances for internal factors such as tenure, individual performances and the specific importance of the job to the Company.

our annual incentive program is based on specific Company financial performance goals for the fiscal year, and includes provisions to “claw back” any excess amounts paid in the event of a later correction or restatement of our financial statements.

Compensation Philosophy and Objectives

The primary objectives of our total executive compensation program are to recruit, retain, and develop exceptional executives, incentivize those individuals to achieve strategic, operational, and financial goals, rewarding superior performance and aligning the interests of our executives with our stockholders. The following principles guide our overall compensation program:

- reward superior performance;
- motivate our executives to achieve strategic, operational, and financial goals; and
- enable us to attract and retain a world-class management team.

The Compensation Committee conducts an annual review of the executive compensation program in an effort to ensure our executive compensation policies and programs remain appropriately aligned with evolving business needs, and to consider best compensation practices.

Executive Compensation Process

The Compensation Committee has oversight responsibility for the establishment and implementation of compensation policies and programs for our executive officers in a manner consistent with our compensation objectives and principles. The Compensation Committee, which is comprised solely of independent directors, reviews and approves the features and design of our executive compensation program, and approves the compensation levels, individual objectives and financial targets for our executive officers

other than our CEO. The Board of Directors approves the compensation level, individual objectives, and financial targets for our CEO. The Compensation Committee also monitors executive succession planning and monitors our performance as it relates to overall compensation policies for employees, including benefit and savings plans.

In carrying out its responsibilities, the Compensation Committee may engage outside consultants and consult with our Human Resources Department as well as internal and external legal or accounting advisors, as the Compensation Committee determines to be appropriate. The Compensation Committee considers recommendations from our CEO and senior management when making decisions regarding our executive compensation program and compensation of our executive officers. Following each fiscal year end, our CEO, assisted by our Human Resources Department, assesses the performance of all named executive officers and other officers. Following this annual performance review process, our CEO recommends base salary and incentive and equity awards for our named executive officers and other officers to the Compensation Committee. Based on input from our CEO and management, as well as from independent consultants, if any are used, and, in the case of the CEO's compensation, the Compensation Committee's evaluation of the CEO's performance, the Compensation Committee determines what changes, if any, should be made to the executive compensation program and either sets or recommends to the full Board the level of each compensation element for all of our officers.

We conducted our first advisory vote on executive compensation last year at our 2011 Annual Meeting of Stockholders. While this vote was not binding on the Board or us, we believe that it is important for our stockholders to have an opportunity to express their views regarding our executive compensation philosophy, program and practices as disclosed in our proxy statement on an annual basis. The Board and our Compensation Committee value stockholders' opinions and, to the extent there is any significant vote against the compensation of our named executive officers, the Compensation Committee will evaluate whether any actions are warranted or appropriate.

At our 2011 Annual Meeting of Stockholders, 83.3% of the votes cast on the advisory vote on executive compensation supported our named executive officers' compensation as disclosed in the proxy statement. Our Compensation Committee reviewed the favorable results of this advisory vote, noting the widespread support from our stockholders. Although none of our Compensation Committee's subsequent actions or decisions with respect to the compensation of our executive officers were directly attributable to the results of the vote, our Compensation Committee took the vote outcome into consideration in the course of its deliberations. Our Compensation Committee believes that stockholder feedback and concerns on executive compensation matters should be considered as part of its deliberations and intends to consider the results of future advisory votes in its compensation review process.

Independent Compensation Consultant for Compensation Committee

The Compensation Committee has hired Pearl Meyer & Partners ("Pearl Meyer") as an independent consultant. All services Pearl Meyer provided Aviat Networks in fiscal year 2012 were approved by the Committee and related to executive or Board compensation. Pearl Meyer provides an annual review of the Company's compensation practices, reviews and makes recommendations regarding the compensation peer groups, and provides independent input to the Compensation Committee on programs and practices.

Competitive Benchmarking

Our compensation program for all of our officers is addressed in the context of competitive compensation practices. Our management and Compensation Committee consider external data to assist in benchmarking total target compensation. For fiscal 2012, targets for total cash and cash based compensation (base salary and short-term incentive), long-term incentives and total direct compensation (base salary and short-term and long-term incentives) for all officers were set based on data collected from our peer group companies and from two published survey sources, the Pearl Meyer & Partners Executive and Senior Management Total Compensation Survey and the Radford Global Technology Survey. In considering data from the two published survey sources, we focused on results for

technology companies with revenues between approximately half and approximately twice our revenue. The peer group companies selected for benchmarking possessed the following attributes: business operations in the industries and businesses in which we participate with revenues between approximately half and approximately twice our revenue, which compete for the same executive talent.

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For fiscal 2012, these peer group companies included:

ADTRAN Inc.	Black Box Corp.
Ciena Group	Comtech Telecommunications Corp.
EMS Technologies, Inc.	F5 Networks, Inc.
Finisar Corp.	Harmonic Inc.
Hughes Communications Inc.	Loral Space & Communications Inc.
NETGEAR, Inc.	Opnext Inc.
Plantronics Inc.	Polycom, Inc.
Powerwave Technologies Inc.	Riverbed Technology, Inc.
Sonus Networks, Inc.	Symmetricom, Inc.
Tekelec	ViaSat, Inc.

Data for our peer group companies was collected directly from these companies' proxy statements. Data from the published survey source was combined with the peer group data to develop a "market composite" perspective.

The Compensation Committee annually reviews the appropriateness of the comparison group used for assessing the compensation of our CEO and other named executive officers.

Total Compensation Elements

Our executive compensation program includes four major elements:

- base salary
- annual cash incentive
- long-term compensation — equity incentives
- post-termination compensation

Each named executive officer's performance is measured against factors such as long and short-term strategic goals and financial measures of our performance, including factors such as revenue, operating income, cash flow from operations and earnings per share.

Our compensation policy and practice is to target total compensation levels for all officers, including our named executive officers, nominally at the 50th percentile for similar positions as derived from the market composite data, assuming experience in the position and competent performance. The Compensation Committee may decide to target total compensation above or below the 50th percentile for similar positions in unique circumstances based on an individual's background, experience, or position. Though compensation levels may differ among our named executive officers based upon competitive factors and the role, responsibilities and performance of each named executive officer, there are no material differences in our compensation policies or in the manner in which total direct compensation opportunity is determined for any of our named executive officers. Because our CEO has significantly greater duties, responsibilities and accountabilities than our other named executive officers, the total compensation opportunity for the CEO is higher than for our other named executive officers. In determining CEO and other named executive officer compensation, the Board also considers the ratio between our CEO's compensation and the average compensation of our other named executive officers as compared with similar ratios for peer group companies. For fiscal 2012, that ratio was 2.42, compared to a median ratio of 2.70 in the peer group companies.

Base Salary

Base salaries are provided as compensation for day-to-day responsibilities and services to us. Executive salaries are reviewed annually. To determine compensation for fiscal year 2012, our CEO made recommendations to the Compensation Committee in August 2011 regarding the base pay of each named executive officer (other than himself). The Compensation Committee considered each executive officer's responsibilities, as well as the Company's performance and recommended increases in base salary for select named executive officers and other officers. The process and recommendations for fiscal year 2013 as compared to fiscal year 2012 was the same. The base salaries for fiscal 2012 for our named executive officers are set forth in the Summary Compensation Table.

Annual Incentive

The short-term incentive element of our executive compensation program consists of a cash and equity-based Annual Incentive Plan, or AIP. The CEO reviews his recommendations for each named executive officer with the Compensation Committee, taking into account benchmarked market data obtained from Pearl Meyer, the Compensation Committee's independent consultant. Based on recommendations by the CEO, and as specified in any applicable employment agreement, the Compensation Committee recommends to the Board an annual incentive compensation target, expressed as a percentage of base salary, for each executive officer in August. Each named executive officer's target annual incentive percentage is benchmarked against the 50th percentile within the market composite for his or her specific role. The Compensation Committee also recommends to the Board specific Company financial performance measures and targets including the relative weighting and payout thresholds. The financial targets are aligned with our Board-approved annual operating plan, and during the year periodic reports are made to the Board about our performance compared with the targets. Under the AIP, a significant portion of the executive's annual compensation is tied directly to our financial performance. The target amount of annual incentive compensation under our AIP, expressed as a percentage of base salary, generally increases with an executive's level of management responsibility. AIP target incentive can represent up to 100% of the base cash compensation for our named executive officers and paid in the form of cash, stock or a combination of the two. If performance results meet target levels, our executives can earn up to a maximum of 100% of their target incentive. No incentive can be earned for performance below the minimum threshold. Equity awards under the AIP are granted under the 2007 Stock Equity Plan, as amended and restated.

For fiscal year 2012, the AIP provided for cash and stock incentives, and contained minimum thresholds and payout ratios for performance measures consisting of revenue and operating income. Revenue had an assigned weight of 50%, and operating income an assigned weight of 50%. The target amounts were established in August 2011, and the plan provided for zero payout unless Company performance met at least one target threshold percentage. The revenue target for fiscal year 2012, \$440 million, was computed in accordance with generally accepted accounting principles, or GAAP. The operating income target for fiscal year 2012, \$3.8 million, was computed based on GAAP results with certain non-GAAP adjustments approved by the Compensation Committee, such as charges incurred for restructurings, impairments, and stock based compensation. Applying non-GAAP adjustments to the operating income focuses this part of the AIP incentive on more controllable aspects of the income statement.

Table 1

Fiscal 2012 Annual Incentive Plan		Results-Driven Entitlement	
		Performance (As % of Financial Target)	Payout ** (As % of Award Target)
Metric	Tiers	(%)	(%)
Revenue (50%)	Minimum Threshold	50%	50%
	Target	100%	100%

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	Maximum Threshold	100%	100%
Operating Income* (50%)	Minimum Threshold	50%	50%
	Target	100%	100%
	Maximum Threshold	100%	100%

* Non-GAAP, with adjustments as stated in the AIP and approved by the Compensation Committee.

** Performance share portion of the AIP (constitutes 50% of the AIP) vests upon achievement of the minimum threshold.

The 2012 AIP did not guarantee payout of the target amounts, and the Compensation Committee considered the revenue and operating income targets to be challenging. During the 2012 fiscal year, we achieved both of the maximum thresholds for AIP awards and upon approval by the Compensation Committee, all named executive officers received 100% of the payout under the AIP. Payouts to named executive officers were 50% in the form of restricted stock issued subject to vesting based on achievement of the AIP targets and 50% in the form of cash.

For fiscal year 2013, the Compensation Committee recommended to the Board and the Board approved, that the metric for the AIP will be 100% based on earnings per share. Payout to named executive officers will be represented 100% by performance based restricted stock. Payouts (as a percentage of the award target) are capped at 100%.

Long-Term Compensation — Equity Incentives

The Compensation Committee uses the Long Term Incentive Plan (“LTIP”) as a means for determining awards of stock options, stock appreciation rights, restricted shares, restricted stock units, performance shares, and other stock-based awards to our officers and other executives based on multi-year performance. All of the awards are granted under the 2007 Stock Equity Plan, as amended and restated (the “Plan”).

Our LTIP is designed to motivate our executives to focus on achievement of our long-term financial goals. Equity awards motivate our executives to achieve our long-term goals and to the extent our results affect our stock price, link such results with the performance of our stock over a three to four -year period. Using equity awards helps us to retain executives, encourage share ownership and maintain a direct link between our executive compensation program and the value and appreciation in the value of our stock. For fiscal year 2012, the Compensation Committee has authorized LTIP awards that will provide incentives for performance through fiscal year 2014.

The LTIP awards made in fiscal 2012 were made at a reduced level, in relation to base salary, in light of the challenging business situation. Previous LTIP awards had been composed of 50 % stock options, 25 % service-based restricted stock awards and 25% performance-based restricted stock awards. (In all cases, the proportions are measured by the estimated GAAP expense associated with the awards.) Management and the Board agreed to reduce the total target incentive amount for each named executive officer for fiscal year 2012 by eliminating the performance based stock awards, with no increase in the other components. The stock options vest over a three-year period with 50% vesting on the first anniversary of grant and 25% on each of the following two anniversaries. The service-based restricted stock vests 33 1/3 % on each of the three following anniversaries of the award. The Committee believes that each type of equity component addresses different compensation objectives. Stock options provide a leverage opportunity and alignment with shareholder interests. Service-based restricted stock encourages retention of key executives.

Performance Shares. In past fiscal years, the Compensation Committee recommended performance share awards that are earned, if the performance criteria are met, at the end of a 3-year plan cycle. The maximum possible entitlement to performance shares will occur if 100% of the target is achieved. In addition, irrespective of Company performance versus target, there is no entitlement to performance shares unless the award recipient continues to be employed throughout the multi-year period. Performance shares are subject to repurchase by the Company at \$0.01 per share if eligible employment ends during the performance measurement period and to the extent the maximum performance is not achieved during the performance measurement period. For fiscal year 2011, upon the recommendation of the Compensation Committee, the performance shares under the 2009-2011 LTIP, were repurchased by the Company since the Committee determined that the threshold targets had not been met. For fiscal year 2012, upon recommendation of the Compensation Committee, approximately 107,300 of the performance based restricted shares under the fiscal year 2010 LTIP, were repurchased by the Company since the Compensation Committee determined that the threshold targets had not been met. For compensation planning purposes, awards of performance-based restricted stock are valued at the fair market value of the shares on the date of award, which is the closing price on the

NASDAQ Global Market on that date, without reduction to reflect vesting or other conditions.

Stock Options. The Compensation Committee believes that stock options directly align the interests of executives and shareholders as the options only result in gain to the recipient if our stock price increases above the exercise price of the options. In addition, options are intended to help retain key employees because they vest over a period of time, and to assist in the hiring of new executives by replacing the value of stock options that may have been forfeited as a result of leaving a former employer. Generally, options are granted with an exercise price equal to the fair market value of the common stock on the grant date, which is the closing price on the NASDAQ Global Market on that date. Typically, the Compensation Committee awards stock options that vest and become exercisable solely on the basis of continued employment, or other service, over three or four years, with 50 or 25 percent

vesting on the first anniversary of the date of the grant and an additional 25 percent vesting on the remaining anniversaries of the date of the grant. Duration of stock options (subject to the terms of the Plan) is seven years from grant date. For compensation planning purposes, awards of stock options are valued using the Black-Scholes valuation method, without reduction to reflect vesting or other conditions. In fiscal 2012, the Black-Scholes valuations were approximately 50% of the grant-date value of the shares subject to the option.

Service-Based Restricted Stock. Service-based restricted stock awards are awards of stock at the start of a vesting period which is subject to repurchase for nominal consideration if the specified vesting conditions are not satisfied. In addition to their use as a component of the LTIP, awards of service-based restricted stock may be made on a selective basis to individual executives primarily to facilitate retention and succession planning or to replace the value of equity awards that may have been forfeited as a result of the executive's leaving a former employer. For compensation planning purposes, awards of service-based restricted stock are valued at the fair market value of the shares on the date of award, which is the closing price on the NASDAQ Global Market on that date, without reduction to reflect vesting or other conditions. Typically, the Compensation Committee awards restricted stock that vests and becomes exercisable solely on the basis of continued employment, or other service, usually over three years, with 33 1/3 % vesting on the first anniversary of the date of the grant and an additional 33 1/3 % vesting on the second and third anniversaries of the date of the grant. Unvested shares are subject to repurchase by the Company at \$0.01 per share if employment ends before the third anniversary of the grant date.

There were no significant changes in the LTIP compensation for any individual in fiscal year 2012 as compared to fiscal year 2011 other than the elimination of the performance share component as described above.

The LTIP continues to be an important element of our executive compensation program. For fiscal 2013, the Compensation Committee recommended, and the Board authorized, long-term incentive awards structured 100% as stock options vesting 50% on the first, and 25% on the second and third anniversaries of the grant.

Recovery of Executive Compensation

Our executive compensation program permits us to recover or "clawback" all or a portion of any performance-based compensation if our financial statements are restated as a result of errors, omissions, or fraud. The amount which may be recovered will be the amount by which the affected compensation exceeded the amount that would have been payable had the financial statements been initially filed as restated, or any greater or lesser amount that the Compensation Committee or our Board shall determine. In no case will the amount to be recovered by us be less than the amount required to be repaid or recovered as a matter of law. Recovery of such amounts by us would be in addition to any actions imposed by law, enforcement agencies, regulators, or other authorities.

Stock Ownership Guidelines

While we do not have a minimum stock ownership requirement for members of the Board and our named executive officers, the corporate governance guidelines adopted by the Board encourage the ownership of our common stock.

Tax and Accounting Considerations

Tax Considerations. The Compensation Committee generally considers the federal income tax and financial accounting consequences of the various components of the executive compensation program in making decisions about executive compensation. The Compensation Committee believes that achieving the compensation objectives discussed above is more important than the benefit of tax deductibility and the executive compensation programs may, from time to time, limit the tax deductibility of compensation. Nevertheless, when not inconsistent with these objectives, the Compensation Committee endeavors to award compensation that will be deductible for income tax purposes. Internal Revenue Code Section 162(m) may limit the tax deductions that a public company can claim for

compensation to some of its named executive officers. The Compensation Committee believes that performance-based compensation authorized and earned under our employee stock option plan including performance shares and option awards, qualify as performance-based compensation that would not be subject to deduction limitations under Section 162(m) and the applicable Treasury Regulations and therefore was or will be fully tax-deductible by the Company. Accordingly the Compensation Committee believes that no expense must be accrued on account of non-deductibility under Section 162(m). Section 409A of the Internal Revenue Code requires that “nonqualified deferred compensation” be deferred and paid under plans or arrangements that satisfy the requirements of the statute with respect to the timing of the deferral elections, timing of payments and certain other matters. As a general matter, it is our intention to design and administer our compensation and benefits plans and arrangements for all of our employees so that they are either exempt from, or satisfy the requirements of, Section

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409A. We believe that currently we are operating such plans in compliance with Section 409A.

Accounting Considerations. The Compensation Committee also considers the accounting implications of various forms of executive compensation. In its financial statements, the Company records salaries and performance-based compensation such as bonuses as expenses in the amount paid or to be paid to the named executive officers. Accounting rules also require the Company to record an expense in its financial statements for equity awards, even though equity awards are not paid as cash to employees. The accounting expense of equity awards to employees is calculated in accordance with GAAP. The Compensation Committee believes that the many advantages of equity compensation, as discussed above, more than compensate for the non-cash accounting expense associated with them.

Benefits under the 401(k) Plan, Executive Perquisites, and Generally Available Benefit Programs

In fiscal year 2012, our named executive officers were eligible to participate in the health and welfare programs that are generally available to all full-time U.S.-based employees, including medical, dental, vision, life, short-term and long-term disability, employee assistance, flexible spending and accidental death and dismemberment. Except for relocation expense reimbursement and allowances provided to former Stratex officers, such as a housing allowance, we do not provide perquisites to our named executive officers.

In addition, the named executive officers and all other eligible U.S.-based employees can participate in our tax-qualified 401(k) Plan. Under the 401(k) Plan, all eligible employees can receive matching contributions from the Company. Our company-matching contribution for the 401(k) Plan during fiscal year 2011 was 100 percent of the first five percent of contributions by the employee to the 401(k) Plan, to a maximum per participating employee of \$17,000 during each calendar year, as allowed by the IRS. We do not provide defined benefit pension plans or defined contribution retirement plans to the named executive officers or other employees other than the 401(k) Plan, or as required in certain countries other than the United States, for legal or competitive reasons.

We adopted an employee stock purchase plan effective November 19, 2009 and commencing on July 3, 2010, under which named executive officers and all other eligible U.S.-based employees can elect, on a quarterly basis, to apply a portion of their cash compensation to purchase shares of our common stock at a 5% discount. An employee's total purchases in any year cannot exceed \$25,000 in value or 15% of his or her salary, whichever is less. Furthermore, an employee may not purchase more than 608 shares of common stock annually under the employee stock purchase plan.

The 401(k) Plan, employee stock purchase plan and the other benefit programs allow us to remain competitive and enhance employee loyalty and productivity. These benefit programs are primarily intended to provide all eligible employees with competitive and quality healthcare, financial contributions for retirement and to enhance hiring and retention.

Post-Termination Compensation

Employment agreements have been established with each of our named executive officers. These agreements provide for certain payments and benefits to the employee if his or her employment with us is terminated. These arrangements are discussed in more detail on page 38. We have determined that such payments and benefits are an integral part of a competitive compensation package for our named executive officers. For additional information regarding our employment agreements with our named executive officers, see the discussion under "Potential Payments Upon Termination or Change of Control."

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis included in this Proxy Statement. Based on this review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended June 29, 2012.

Compensation Committee of the Board of Directors

Dr. James C. Stoffel, Chairman
Clifford H. Higginson
Dr. Mohsen Sohi

Risk Considerations in Our Compensation Program

The Compensation Committee, pursuant to its charter, is responsible for reviewing and overseeing the compensation benefits structure applicable to our employees, generally. We do not believe that our compensation policies and practices for our employees give rise to risks that are reasonably likely to have a material adverse effect on our company. In reaching this conclusion, we considered the following factors:

Our compensation program is designed to provide a mix of both fixed and “at risk” incentive compensation. The incentive elements of our compensation program (annual incentives and multi-year equity LTIP awards) are designed to reward both annual performance (under the annual incentive plan) and longer-term performance (under the LTIP). We believe this design mitigates any incentive for short-term risk-taking that could be detrimental to our company’s long-term best interests.

Our incentive compensation programs for officers reward a mix of different performance measures such as, revenue, operating income, cash flow and earnings per share. We believe this mix of performance measures mitigates any incentive to seek to maximize performance under one measure to the detriment of performance under another measure. For example, if our management were to seek to increase sales by pursuing strategies that would negatively impact our profitability, any increase in the portion of annual incentive based on revenue would be offset by decreases in the portion of annual incentive based on operating profit and in the vesting of performance shares based on cash flow.

Maximum payouts under our annual incentive plan is currently capped at 100% of target payouts. We believe these limits mitigate excessive risk-taking, since the maximum amount that can be earned is limited.

Finally, our annual incentive plan and our long-term incentive plan both contain provisions under which awards may be recouped or forfeited if the recipient has not complied with our policies. In addition, our performance-based plans (cash incentive and performance shares) both contain provisions under which awards may be recouped or forfeited if the financial results for a period affecting the calculation of an award are later restated.

Summary Compensation Table

The following table summarizes the total compensation for each of our fiscal years ended June 29, 2012, July 1, 2011 and July 2, 2010 of our named executive officers, who consisted of our Chief Executive Officer, Chief Financial Officer, the next three other most highly compensated executive officers, and our former Chief Executive Officer and former Chief Financial Officer, who would have been included in such table had they served as an executive officer as of June 29, 2012.

Name/Principal Position	Fiscal Year (1)	Salary (3)	Bonus (4)	Stock Awards (5)	Option Awards (6)	Non-Equity Incentive Plan Compensation (7)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (8)	All Other Compensation (9)	Total
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Michael Pangia, Chief Executive Officer (formerly Senior Vice President of Sales) (2)	2012	542,500	—	405,533	366,576	275,000	—	234,689	1,824,298
	2011	420,000	—	109,000	110,255	—	—	1,324	640,579
	2010	420,000	—	293,328	145,959	—	—	1,046	860,333
Charles D. Kissner, Chairman of the Board and former Chief Executive Officer (2)	2012	363,904	—	42,578	44,995	—	—	14,551	466,028
	2011	695,000	—	466,602	455,324	—	—	270,268	1,887,194
	2010	13,365	—	69,998	28,427	—	—	479,839	591,629
Edward Hayes Jr., Senior Vice President and Chief Financial Officer (2)	2012	235,385	75,000	355,937	458,068	96,250	—	54,426	1,275,066
	2011	—	—	—	—	—	—	—	—
	2010	—	—	—	—	—	—	—	—
Paul A. Kennard, Senior Vice President and Chief Technology Officer	2012	324,804	—	92,411	97,476	97,500	—	21,413	633,604
	2011	324,804	—	119,900	121,281	—	—	16,514	582,499
	2010	324,804	—	219,996	109,469	—	—	15,135	669,404
Heinz H. Stumpe, Senior Vice President and Chief Sales Officer (formerly Chief Operating Officer) (2)	2012	325,000	—	92,430	97,476	97,500	—	2,260	614,666
	2011	325,000	—	119,900	121,281	—	—	8,260	574,441
	2010	325,000	—	89,566	90,000	—	—	26,260	530,826
Shaun McFall, Senior Vice President and Chief Marketing Officer	2012	300,000	—	85,320	89,977	90,000	—	9,181	574,478
	2011	300,000	—	119,900	121,281	—	—	14,507	555,688
	2010	294,462	—	156,667	78,333	—	—	14,764	544,226

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Thomas L. Cronan	2012	56,231	—	—	—	—	—	19,763	75,994
III, former Senior Vice President and Chief Financial Officer (2)	2011	329,515	—	130,800	132,306	—	—	5,789	598,410
	2010	300,000	—	286,668	142,644	—	—	1,104	730,416

Our fiscal year 2012 ended June 29, 2012, our fiscal year 2011 ended July 1, 2011 and our fiscal year 2010 ended (1) July 2, 2010. The amounts in this table represent total compensation paid or earned for our fiscal year as included in our annual financial statements.

Effective July 18, 2011, Mr. Pangia was appointed President and Chief Executive Officer, and Mr. Kissner became a part-time employee of the Company while continuing as Chairman of the Board. Effective August 25, 2011, Mr. (2) Cronan resigned his position as Senior Vice President and Chief Financial Officer of the Company. Effective October 31, 2011, Mr. Hayes was appointed Senior Vice President and Chief Financial Officer. Effective June 24, 2012, Mr. Stumpe was appointed Senior Vice President and Chief Sales Officer.

The annual base salary for Mr. Pangia as our CEO is \$550,000. The amount in the Summary Compensation table (3) for the fiscal year ended June 29, 2012 of \$542,500 reflects Mr. Pangia's salary as our Chief Sales Officer for the period July 2, 2011 through July 17, 2011 and as our CEO for the period July 18, 2011 through June 29, 2012.

Mr. Kissner's annual base salary as a part-time employee is \$350,000. The amount in the Summary Compensation table for the fiscal year ended June 29, 2012 of \$363,904 reflects Mr. Kissner's salary as our CEO for the period July 2, 2011 through July 17, 2011 and as our part-time employee for the period July 18, 2011 through June 29, 2012. The amount in the Summary Compensation table for the fiscal year ended July 2, 2010 of \$13,365 reflects Mr. Kissner's salary for the period June 28, 2010 through July 2, 2010.

The annual base salary for Mr. Hayes is \$360,000. The amount in the Summary Compensation table for fiscal 2012 of \$235,385 reflects Mr. Hayes' salary for the period October 31, 2011 through June 29, 2012.

The amount in the Summary Compensation table for fiscal 2012 of \$56,231 reflects Mr. Cronan's salary for the period July 2, 2011 through August 25, 2011.

(4) Represents a one-time bonus earned by Mr. Hayes in respect of fiscal 2012 performance for the achievement of certain management objectives.

The "Stock Awards" column shows the full grant date fair value of the performance shares (at target) and restricted stock granted in fiscal 2012 and 2010. For fiscal 2011, the grant date fair value of the performance shares was reduced to zero or no value since subsequent to the grant date we estimated that the minimum threshold performance will not be achieved. If we had estimated that the fiscal 2011 performance shares would be earned by exceeding the target metrics (the maximum pay-out under the Plan), the following amounts would have been included in the amount under this column and as part of the named executive officers total compensation:

Mr. Pangia	\$ 109,000
Mr. Kennard	\$ 119,900
Mr. Stumpe	\$ 119,900
Mr. McFall	\$ 119,900
Mr. Kissner	\$ 466,602
Mr. Cronan	\$ 130,800

The grant date fair value of the performance shares and restricted stock was determined under FASB ASC Topic 718 and represents the amount we would expense in our financial statements over the entire vesting schedule for the awards. The grant date fair value for performance awards and restricted stock was based on the closing market price of our common stock on the respective award dates, except for the performance shares granted during fiscal 2011 as discussed above. The assumptions used for determining values are set forth in Notes 1 and 10 to our audited consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended June 29, 2012. These amounts reflect our accounting for these grants and do not correspond to the actual values that may be recognized by the named executive officers.

The listed stock awards to Mr. Kissner during fiscal 2012 and 2010 were made to him as a member of our Board of Directors.

The "Option Awards" column shows the full grant date fair value of the stock options granted in fiscal 2012, 2011 and 2010. The grant date fair value of the stock option awards was determined under FASB ASC Topic 718 and represents the amount we would expense in our financial statements over the entire vesting schedule for the awards. The assumptions used for determining values are set forth in Notes 1 and 10 to our audited consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended June 29, 2012. These amounts reflect our accounting for these grants and do not correspond to the actual values that may be recognized by the named executive officers.

For fiscal 2012, represents amounts earned in respect of 2012 performance under the fiscal year 2012 AIP as though 100% of revenue and operating income (non-GAAP) targets had been achieved with actual achievement of 100% of both targets. For the fiscal years 2011 and 2010, no amounts were paid to named executive officers in respect of 2011 and 2010 performance under the respective fiscal year's AIP.

(8) We do not currently have our own pension plan or deferred compensation plan.

(9) The following table describes the components of the “All Other Compensation” column.

Name	Year	Life Insurance (a)	Housing and Auto Allowance (b)	Vacation & Payout in Cash (c)	Severance & Related Benefits (c)	Other Patent Income (d)	Other Bonus (e)	Fees Earned as Board of Director (f)	Relocation Benefits (g)	Company Matching Contributions Under 401(k) Plan (h)	Total All Other Compensation (\$)
Michael Pangia	2012	2,100	—	—	—	—	—	—	232,589	—	234,689
	2011	1,324	—	—	—	—	—	—	—	—	1,324
	2010	1,046	—	—	—	—	—	—	—	—	1,046
Charles D. Kissner	2012	5,801	—	—	—	—	—	—	—	8,750	14,551
	2011	7,695	14,400	—	239,692	—	—	—	—	8,481	270,268
	2010	—	15,600	—	394,239	—	—	70,000	—	—	479,839
Edward J. Hayes	2012	1,657	—	—	—	—	50,000	—	—	2,769	54,426
Paul A. Kennard	2012	3,469	—	—	—	5,694	—	—	—	12,250	21,413
	2011	2,864	—	—	—	1,015	—	—	—	12,635	16,514
	2010	2,260	—	—	—	—	—	—	—	12,875	15,135
Heinz H. Stumpe	2012	2,260	—	—	—	—	—	—	—	—	2,260
	2011	2,260	6,000	—	—	—	—	—	—	—	8,260
	2010	2,260	24,000	—	—	—	—	—	—	—	26,260
Shaun McFall	2012	1,104	—	—	—	—	—	—	—	8,077	9,181
	2011	1,104	—	—	—	—	—	—	—	13,403	14,507
	2010	968	—	—	—	—	—	—	—	13,796	14,764
Thomas L. Cronan III	2012	244	—	16,707	—	—	—	—	—	2,812	19,763
	2011	1,212	—	—	—	—	—	—	—	4,577	5,789
	2010	1,104	—	—	—	—	—	—	—	—	1,104

(a) Represents premiums paid for life insurance that represent taxable income for the named executive officer.

(b) Represents payments to Mr. Kissner under his former employment agreement with Stratex. Represents taxable amounts to Mr. Stumpe paid under former Stratex compensation policies that carried forward after the merger on January 26, 2007.

(c) Represents severance payments to Mr. Kissner under his former employment agreement with Stratex.

(d) Represents taxable amounts paid to Mr. Kennard for the acquisition of patents previously owned by him.

(e) Represents a sign-on bonus paid to Mr. Hayes.

(f) Represents compensation earned by Mr. Kissner as Chairman of the Board prior to being named chief executive officer.

(g) Represents taxable benefits paid in connection with the relocation of Mr. Pangia’s household to Santa Clara, California from Georgia.

(h) Represents matching contributions made by us to the account of the respective named executive’s 401(k) Plan.

Grants of Plan-Based Awards in Fiscal 2012

The following table lists our grants and incentives during our fiscal year ended June 29, 2012 of plan-based awards, both equity and non-equity based and including our Annual Incentive Plan and Long-Term Incentive Plan, to the named executive officers listed in the Summary Compensation Table. There is no assurance that the grant date fair value of stock and option awards will ever be realized.

Name	Grant Date	Estimated Possible Payouts Under Short-Term Non-Equity Incentive Plan Awards in Fiscal 2012 (2)			Estimated Future Payments Under Short-term Equity Incentive Plan Awards in Fiscal 2012 (3)			All Other Stock Awards in Fiscal 2012			
		Threshold	Target	Maximum	Threshold	Target	Maximum	Number of Shares of Stock or Units	Number of Securities Underlying Options	Exercise Price of Option Award (7)	Fair Value of Stock and Option Awards (8)
(1)	(1)	(\$)	(\$)	(\$)	(#)	(#)	(#)	(#)	(#)	(\$/Share)	(\$)
Michael Pangia	N/A	137,500	275,000	275,000	—	—	—	—	—	—	—
	09/08/2011	—	—	—	73,333	73,333	73,333	—	—	—	173,799
	09/08/2011	—	—	—	—	—	—	97,778	(5)	—	231,734
	09/08/2011	—	—	—	—	—	—	56,933	(6)	—	134,931
	09/08/2011	—	—	—	—	—	—	—	301,287	(7)	2.37 366,576
Charles D. Kissner	01/26/2012	—	—	—	—	—	—	20,179	(4)	—	42,578
	01/26/2012	—	—	—	—	—	—	—	41,650	(4)	2.11 44,495
Edward Hayes Jr.	N/A	48,125	96,250	96,250	—	—	—	—	—	—	—
	10/31/2011	—	—	—	46,951	46,951	46,951	—	—	—	96,250
	10/31/2011	—	—	—	—	—	—	35,214	(5)	—	72,189
	10/31/2011	—	—	—	—	—	—	91,463	(5)	—	187,499
	10/31/2011	—	—	—	—	—	—	—	296,234	(7)	2.05 313,978
	10/31/2011	—	—	—	—	—	—	—	133,234	(7)	2.05 144,089
Paul A. Kennard	N/A	48,750	97,500	97,500	—	—	—	—	—	—	—
	09/08/2011	—	—	—	26,000	26,000	26,000	—	—	—	61,620
	09/08/2011	—	—	—	—	—	—	12,992	(5)	—	30,791
	09/08/2011	—	—	—	—	—	—	—	80,115	(7)	2.37 97,476
Heinz H. Stumpe	N/A	48,750	97,500	97,500	—	—	—	—	—	—	—
	09/08/2011	—	—	—	26,000	26,000	26,000	—	—	—	61,620
	09/08/2011	—	—	—	—	—	—	13,000	(5)	—	30,810
	09/08/2011	—	—	—	—	—	—	—	80,115	(7)	2.37 189,872
Shaun McFall	N/A	45,000	90,000	90,000	—	—	—	—	—	—	—
	09/08/2011	—	—	—	24,000	24,000	24,000	—	—	—	56,880
	09/08/2011	—	—	—	—	—	—	12,000	(5)	—	28,440
	09/08/2011	—	—	—	—	—	—	—	73,952	(7)	2.37 89,977

(1) Grant Date of Common Stock under our 2007 Stock Equity Plan, as amended and restated effective November 17, 2011.

- The amounts shown under Estimated Possible Payouts Under Short Term Non-Equity Incentive Plan Awards reflect possible payouts under our fiscal 2012 Annual Incentive Plan. The actual amount earned by each named executive officer for fiscal 2012 pursuant to our 2012 Annual Incentive Plan is set forth in the Summary Compensation Table above under the column titled "Non-Equity Annual Incentive Plan Compensation."
- (2) Performance shares vest 100 percent when performance target is met. The target is \$430.0 million of revenue and \$2.9 million of Non-GAAP operating income for fiscal 2012. The shares may vest following the end of our fiscal year 2012, or June 29, 2012, based on continuous employment and achievement of performance results as stated above. Performance shares vested in full on August 29, 2012.
- (3) The stock option and restricted stock to Mr. Kissner vest 100% after one year from the grant date and were made to him as a non-employee member of our Board of Directors, .
- (4) Restricted stock that vests in installments of 33 1/3 percent one year from the grant date, 33 1/3 percent two years from the grant date and 33 1/3 percent three years from the grant date based on continuous employment through those dates.
- (5) The restricted shares were cancelled on October 11, 2012.
- (6) Stock options vest in installments of 50 percent one year from the grant date, 25 percent two years from the grant date, and 25 percent three years from the grant date.
- (7) The "Grant Date Fair Value of Stock and Option Awards" column shows the full grant date fair value of the performance shares (at target), restricted stock and stock options granted in fiscal 2012. The grant date fair value of the performance shares, restricted stock and stock options was determined under FASB ASC Topic 718 and (8) represents the amount we would expense in our financial statements over the entire vesting schedule for the awards in the event the vesting provisions are achieved. The grant date fair value for performance awards and restricted stock were based on a grant price ranging between \$2.05 and \$2.37, the closing market price of our common stock on the dates which the awards were granted.
- The assumptions used for determining values are set forth in Notes 1 and 10 to our audited consolidated financial statements in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended June 29, 2012. These amounts reflect our accounting for these

grants and do not correspond to the actual values that may be recognized by the named executive officers.

Outstanding Equity Awards at Fiscal Year-End 2012

The following table provides information regarding outstanding unexercised stock options and unvested stock awards held by each of our named executive officers as of June 29, 2012. Each grant of options or unvested stock awards is shown separately for each named executive officer. The vesting schedule for each award of options is shown in the footnotes following this table based on the option grant date. The material terms of the option awards, other than exercise price and vesting are generally described in our 2007 Stock Equity Plan, as amended and restated effective November 17, 2011.

Name	Option Awards					Stock Awards		Equity Incentive Plan Awards: Number of Unearned Shares or Other Rights that have not Vested	Equity Incentive Plan Awards: Market Payout Value of Unearned Shares, Other Rights that have not Vested
	[Awards Listed in Chronological Order] Award Grant Date	Number of Securities Underlying Unexercised Exercisable Options	Number of Securities Underlying Unexercised Unexercisable Options	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options	Option Exercise Price	Expiration Date	Number of Shares or Units of Stock that have not Vested		
Michael Pangia	09/08/2011	—	301,287 (2)	—2.37	9/8/2018	—	—	—	—
	09/08/2011	—	—	—	—	97,778 (4)	273,778 (5)	—	—
	09/08/2011	—	—	—	—	—	—	73,333 (6)	205,332 (5)
	11/11/2010	25,000 (2)	25,000 (2)	—4.36	11/11/2017	—	—	—	—
	11/11/2010	—	—	—	—	16,666 (4)	46,664 (5)	—	—
	11/11/2010	—	—	—	—	—	—	25,000 (7)	70,000 (5)
	11/12/2009	36,789 (2)	12,263 (2)	—6.00	11/12/2016	—	—	—	—
	11/12/2009	—	—	—	—	8,148 (4)	22,814 (5)	—	—
	11/12/2009	—	—	—	0	—	—	24,444 (8)	68,443 (5)
	03/30/2009	80,586 (2)	— (2)	—4.05	3/30/2016	—	—	—	—
Charles D. Kissner	01/26/2012	—	41,650 (1)	—2.11	1/26/2019	—	(1) — (5)	—	—
	01/26/2012	—	—	—	—	20,179	56,501	—	—
	02/10/2011	25,250 (2)	25,250 (2)	—6.11	2/10/2018	—	—	—	—
	02/10/2011	—	—	—	—	18,800 (4)	52,640 (5)	—	—
	02/10/2011	—	—	—	—	—	—	28,200 (7)	78,960 (5)
	11/11/2010	67,500 (2)	67,500 (2)	—4.36	11/11/2017	—	—	—	—

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	11/11/2010	—	—	—	—	45,000 (4)	126,000 (5)	—	—
	11/11/2010	—	—	—	—	—	—	67,500 (7)	189,000 (5)
	04/19/2010	8,720 (2)	—	—6.73	4/19/2017	—	—	—	—
	06/06/2006	3,750 (3)	—	—16.04	6/6/2013	—	—	—	—
Edward Hayes Jr.	10/31/2011	—	296,234 (2)	—2.05	10/31/2018	—	—	—	—
	10/31/2011	—	135,946 (2)	—2.05	10/31/2018	—	—	—	—
	10/31/2011	—	—	—	—	91,463 (4)	256,096 (5)	—	—
	10/31/2011	—	—	—	—	35,214 (4)	98,599 (5)	—	—
	10/31/2011	—	—	—	—	—	—	46,951 (6)	131,463 (5)
Paul A. Kennard	09/08/2011	—	80,115 (2)	—2.37	9/8/2018	—	—	—	—
	09/08/2011	—	—	—	—	12,992 (4)	36,377 (5)	—	—
	09/08/2011	—	—	—	—	—	—	26,000 (6)	72,800 (5)
	11/11/2010	27,500 (2)	27,500 (2)	—4.36	11/11/2017	—	—	—	—
	11/11/2010	—	—	—	—	18,333 (4)	51,332 (5)	—	—
	11/11/2010	—	—	—	—	—	—	27,500 (7)	77,000 (5)
	11/12/2009	27,591 (2)	9,198 (2)	—6	11/12/2016	—	—	—	—
	11/12/2009	—	—	—	—	6,111 (4)	17,110 (5)	—	—
	11/12/2009	—	—	—	0	—	—	18,333 (8)	51,332.4 (5)
	11/05/2008	50,251 (2)	—	—5.97	11/5/2015	—	—	—	—
	02/28/2007	15,000 (2)	—	—20.4	2/28/2014	—	—	—	—
	06/06/2006	30,000 (3)	—	—16.04	6/6/2013	—	—	—	—
	06/30/2005	12,500 (3)	—	—6.88	6/30/2012	—	—	—	—
Heinz H. Stumpe	09/08/2011	—	80,115 (2)	—2.37	9/8/2018	—	—	—	—

Option Awards					Stock Awards					
Name	[Awards Listed in Chronological Order] Award Grant Date	Number of Securities Underlying Unexercisable Options (#)	Number of Securities Underlying Unexercisable Options (#)	Equity Incentive Plan Awards:	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock that have not Vested (#)	Market Value of Shares or Units of Stock that have not Vested (\$)	Equity Incentive Plan Awards:	Equity Incentive Plan Awards:
				Number of Unearned Shares or Other Rights that have not Vested (#)					Market Payout Value of Unearned Shares, Units or Other Rights that have not Vested (\$)	Market Payout Value of Unearned Shares, Units or Other Rights that have not Vested (\$)
	09/08/2011	—	—	—	—	—	13,000 (4)	36,400 (5)	—	—
	09/08/2011	—	—	—	—	—	—	—	26,000 (6)	72,800 (5)
	11/11/2010	27,500 (2)	27,500 (2)	—4.36	11/11/2017	—	—	—	—	—
	11/11/2010	—	—	—	—	—	18,333 (4)	51,332 (5)	—	—
	11/11/2010	—	—	—	—	—	—	—	27,500 (7)	77,000 (5)
	11/12/2009	22,575 (2)	7,525 (2)	—6	11/12/2016	—	—	—	—	—
	11/12/2009	—	—	—	—	—	5,000 (4)	14,000 (5)	—	—
	11/12/2009	—	—	—	0	—	—	—	15,000 (8)	42,000 (5)
	11/05/2008	37,326 (2)	—	—5.97	11/5/2015	—	—	—	—	—
	02/28/2007	11,300 (2)	—	—20.4	2/28/2014	—	—	—	—	—
	06/06/2006	20,000 (3)	—	—16.04	6/6/2013	—	—	—	—	—
Shaun McFall	09/08/2011	—	73,952 (2)	—2.37	9/8/2018	—	—	—	—	—
	09/08/2011	—	—	—	—	—	12,000 (4)	33,600 (5)	—	—
	09/08/2011	—	—	—	—	—	—	—	24,000 (6)	67,200 (5)
	11/11/2010	27,500 (2)	27,500 (2)	—7.36	11/11/2017	—	—	—	—	—
	11/11/2010	—	—	—	—	—	18,333 (4)	51,332 (5)	—	—
	11/11/2010	—	—	—	—	—	—	—	27,500 (7)	77,000 (5)
	11/12/2009	19,648 (2)	6,550 (2)	—6	11/12/2016	—	—	—	—	—
	11/12/2009	—	—	—	—	—	4,352 (4)	12,185 (5)	—	—
	11/12/2009	—	—	—	0	—	—	—	13,056 (8)	36,556.8 (5)
	11/05/2008	29,796 (2)	—	—5.97	11/5/2015	—	—	—	—	—
	02/28/2007	8.9 (2)	—	—20.4	2/28/2014	—	—	—	—	—
	06/06/2006	16,250 (3)	—	—16.04	6/6/2013	—	—	—	—	—
	06/30/2005	5,050 (3)	—	—6.88	6/30/2012	—	—	—	—	—

(1) Stock options and Restricted stock were awarded to Mr. Kissner as a non-employee director and vests 100% one year from the grant date.

(2) Stock options vest in installments of 50 percent one year from the grant date, 25 percent two years from the grant date and 25 percent three years from the grant date.

(3) These options were granted by Stratex, were assumed by us in the merger with Stratex and are fully vested.

(4)

Restricted stock that vests in installments of 33 1/3 percent one year from the grant date, 33 1/3 percent two years from the grant date and 33 1/3 percent three years from the grant date based on continuous employment through those dates. The listed stock awards to Mr. Kissner were made to him as a non-employee member of our Board of Directors prior to his appointment as Chairman and CEO. These awards vest in full one year from the grant date.

(5) Market value is based on the \$2.80 closing price of a share of our common stock on June 29, 2012, as reported on the NASDAQ Global Market.

Performance shares vest 100 percent when performance targets are met. The target is \$430.0 million of revenue and \$2.9 million of operating income for fiscal 2012. The shares may vest following the end of our fiscal year (6) 2012, or June 29, 2012, based on continuous employment and achievement of performance results as stated above. Performance shares vested in full on August 29, 2012.

Performance share vesting may begin at 80 percent of the target level of cash flow from operations, as adjusted, and reaches maximum payout at financial performance at or above 120 percent of this target. The target (at which 100 percent vesting occurs) is \$10.0 million of cash flow from operations, as adjusted, cumulatively for the three (7) fiscal years in the period ending June 28, 2013. The shares may vest following the end of our 2013 fiscal year or June 28, 2013, based on continuous employment and achievement of performance results for the cumulative period from July 3, 2010 through the end of fiscal year 2013. Currently, performance shares have not vested for any officer.

Performance share vesting may begin at 80 percent of the target level of cash flow from operations, as adjusted, and reaches maximum payout at financial performance at or above 120 percent of this target. The target (at which (8) 100 percent vesting occurs) is \$125.4 million of cash flow from operations, as adjusted, cumulatively for the three fiscal years in the period ended June 29, 2012. The performance shares were cancelled on August 29, 2012 since the minimum threshold performance targets were not achieved.

Option Exercised and Stock Vested in Fiscal 2012

The following table provides information for each of our named executive officers regarding the number of shares of our common stock acquired upon the vesting of stock awards during fiscal 2012. No options to purchase common stock were exercised during fiscal 2012. Stock awards vesting during fiscal 2012 consisted solely of restricted stock with service-based vesting provisions.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Received on Vesting (\$)(1)
Michael Pangia	—	—	16,482	36,755
Charles D. Kissner	—	—	31,900	71,137
Edward Hayes Jr.	—	—	—	—
Paul A. Kennard	—	—	15,278	34,070
Heinz H. Stumpe	—	—	14,167	31,592
Shaun McFall	—	—	13,519	30,147

(1) Amount shown is the aggregate market value of the vested shares of service-based restricted common stock based on the closing price of our stock on the vesting date.

Equity Compensation Plan Summary

The following table provides information as of June 29, 2012, relating to our equity compensation plan pursuant to which grants of options, restricted stock and performance shares may be granted from time to time and the option plans and agreements assumed by us in connection with the Stratex acquisition:

Plan Category	Number of Securities to be Issued Upon Exercise of Options and Vesting of Restricted Stock Units and Performance Share Units (1)	Weighted-Average Exercise Price of Outstanding Options(2)	Number of Securities Remaining Available for Further Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity Compensation plan approved by security holders(3)	5,775,642	\$ 4.10	6,597,515
Equity Compensation plans not approved by security holders(4)	441,121	\$ 15.12	—
Total	6,216,763	\$ 4.96	6,597,515

(1) Under the 2007 Stock Equity Plan, in addition to options, we have granted share-based compensation awards in the form of performance shares, restricted stock, performance share units and restricted stock units. As of June 29, 2012, there were 2,619,064 such awards outstanding under that plan. The outstanding awards consisted of (i) performance share awards at target and restricted stock awards, for which all 2,075,390 shares were issued and outstanding; and (ii) 543,674 performance share unit awards at target and restricted stock unit awards, for which all 543,674 were payable in shares but for which no shares were yet issued and outstanding. The 5,775,642 shares to

be issued upon exercise of outstanding options and vesting of restricted stock units and performance share units as listed in the first column consisted of shares to be issued in respect of the exercise of 5,231,968 outstanding options and in respect of the 543,674 performance share unit awards and restricted stock units awards payable in shares.

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

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

Consists of common stock that may be issued pursuant to option plans and agreements assumed pursuant to the

(4) Stratex acquisition. The Stratex plans were duly approved by the stockholders of Stratex prior to the merger with us. No shares are available for further issuance.

Potential Payments Upon Termination or Change of Control

Employment agreements have been established with each of the continuing named executive officers, which provide for such executives to receive certain payments and benefits if their employment with us is terminated. These arrangements are set forth in detail below assuming a termination event on June 29, 2012 based on our stock price on that date. The Board has determined that such payments and benefits are an integral part of a competitive compensation package for our executive officers.

The table below reflects the compensation and benefits due to each of the named executive officers in the event of termination of employment by us without cause or termination by the executive for good reason (other than within 18 months after a Change of Control, as defined below) and in the event of disability and in the event of termination of employment by us without cause or termination by the executive for good reason within 18 months after a Change of Control. The amounts shown in the table are estimates of the amounts that would be paid upon termination of employment. There are no compensation and benefits due to any named executive officer in the event of death, or of termination of employment by us for cause or voluntary termination. The actual amounts would be determined only at the time of the termination of employment.

Name	Conditions for Payouts	Number of Months (#)	Base per Month (1) (\$)	Months Times Base (\$)	Target Bonus (2) (\$)	Total Severance Payments (\$)	Accelerated Equity Vesting (3) (\$)	Continuation of Insurance Benefit (4) (\$)	Out-Placement Services (5) (\$)	Total (\$)
Michael Pangia	Termination without cause or for good reason, or due to disability Within 18 months	12	45,833	550,000	275,000	825,000	—	19,367	30,000	874,367
	after Change of Control	24	45,833	1,100,000	275,000	1,375,000	816,587	38,733	30,000	2,260,320
Edward J. Hayes, Jr.	Termination without cause or for good reason, or due to disability Within 18 months	12	30,000	360,000	135,000	495,000	—	20,624	30,000	545,624
	after Change of Control	24	30,000	720,000	135,000	855,000	810,293	41,248	30,000	1,736,541
Paul A. Kennard	Termination without cause or for	12	27,067	324,804	97,500	422,304	—	8,266	30,000	460,570

	good reason, or due to disability Within 18 months after	24	27,067	649,608	97,500	747,108	340,403	16,532	30,000	1,134,043
	Change of Control Termination without cause or for good reason, or due to disability Within 18 months after	12	27,083	325,000	97,500	422,500	—	8,363	30,000	460,863
Heinz H. Stumpe	Change of Control Termination without cause or for good reason, or due to disability Within 18 months after	24	27,083	650,000	97,500	747,500	327,982	16,727	30,000	1,122,209
	Change of Control Termination without cause or for good reason, or due to disability Within 18 months after	12	25,000	300,000	90,000	390,000	—	19,367	30,000	439,367
Shaun McFall	Change of Control Termination without cause or for good reason, or due to disability Within 18 months after	24	25,000	600,000	90,000	690,000	309,674	38,733	30,000	1,068,407
	Change of Control									

- (1) The monthly base salary represents the total gross monthly payments to each named executive officer at the current salary.
- (2) The target bonus represents the maximum amount of a payout under the terms of the Annual Incentive Plan discussed in the Compensation Discussion and Analysis section of this Proxy Statement.
- (3) Reflects acceleration of outstanding equity awards as of June 29, 2012.
- (4) The insurance benefit provided is paid directly to the insurer benefit provider and includes amounts for COBRA.
- (5) The estimated dollar amounts for Outplacement Services would be paid directly to an outplacement provider selected by us.

The employment agreements with our named executive officers define a “Change of Control” as follows: any merger, consolidation, share exchange or acquisition, unless immediately following such merger, consolidation, share exchange or acquisition of at least 50 percent of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the entity resulting from such merger, consolidation or share exchange, or the entity which has acquired all or substantially all of our assets (in the case of an asset sale that satisfies the criteria of an acquisition) (in either case, the “Surviving Entity”), or

if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50 percent or more of the total voting power (in respect of the election of directors, or similar officials in the case of an entity other than a corporation) of the Surviving Entity is represented by our securities that were outstanding immediately prior to such merger, consolidation, share exchange or acquisition (or, if applicable, is represented by shares into which such Company securities were converted pursuant to such merger, consolidation, share exchange or acquisition), or any person or group of persons (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended and in effect from time to time) directly or indirectly acquires beneficial ownership (determined pursuant to SEC Rule 13d-3 promulgated under the said Exchange Act) of securities possessing more than 30 percent of the total combined voting power of our outstanding securities pursuant to a tender or exchange offer made directly to the our stockholders that the Board does not recommend such stockholders accept, other than: (i) an employee benefit plan of ours or any of our Affiliates; (ii) a trustee or other fiduciary holding securities under an employee benefit plan of our or any of our Affiliates; or (iii) an underwriter temporarily holding securities pursuant to an offering of such securities; or

over a period of 36 consecutive months or less, there is a change in the composition of the Board such that a majority of the Board members (rounded up to the next whole number, if a fraction) ceases, by reason of one or more proxy contests for the election of Board members, to be composed of individuals each of whom meet one of the following criteria: (i) have been a Board member continuously since the adoption of this Plan or the beginning of such 36-month period; (ii) have been appointed by Harris; or (iii) have been elected or nominated during such 36-month period by at least a majority of the Board members that belong to the same Class of director as such Board member; and (iv) satisfied one of the above criteria when they were elected or nominated;

a majority of the Board determines that a Change of Control has occurred; or
the complete liquidation or dissolution of the Company.

Employment agreements are in effect for the other current named executive officers, which provide that if they are terminated without cause or should they resign for good reason or become disabled and they sign a general release they will be entitled to receive the following severance benefits:

- severance payments at their final base salary for a period of 12 months following termination;
- payment of premiums necessary to continue their group health insurance under COBRA (or to purchase other comparable health coverage on an individual basis if the employee is no longer eligible for COBRA coverage) until the earlier of (i) 12 months; or (ii) the date on which they first became eligible to participate in another employer’s group health insurance plan;
- the prorated portion of any incentive bonus they would have earned during the incentive bonus period in which their employment was terminated;

any equity compensation subject to service-based vesting granted to the executive officer will stop vesting as of their termination date; however, they will be entitled to purchase any vested share(s) of stock that are subject to the outstanding options until the earlier of: (i) 12 months; or (ii) the date on which the applicable option(s) expire; and

outplacement assistance selected and paid for by us.

In addition, these agreements provide that if there is a Change of Control, and employment with us is terminated by us without cause or by the employee for good reason within 18 months after the Change of Control and they sign a general release of known and unknown claims in a form satisfactory to us, (i) the severance benefits described shall be increased by an additional 12 months; (ii) they will receive a payment equal to the greater of (a) the average of the annual incentive bonus payments received by them, if any, for the previous three years; or (b) their target incentive bonus for the year in which their employment terminates; and (iii) the vesting of all unvested stock option(s) and unvested equity-compensation awards subject to service-based vesting will accelerate, such that all of such stock option(s) and equity-compensation awards will be fully vested as of the date of their termination/resignation.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and persons who own more than 10 percent of a registered Class of the Company's equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Directors, executive officers and greater than 10 percent holders are required by SEC regulation to furnish us with copies of all Section 16(a) reports they file. Based solely on our review of Forms 3 and 4 received during fiscal 2012, and Forms 5 (or any written representations) received with respect to fiscal year 2012, we believe that all directors, officers, executive officers and 10 percent stockholders complied with all applicable Section 16(a) filing requirements during fiscal 2012.

PROPOSAL NO. 1:

ELECTION OF DIRECTORS

At the 2012 Annual Meeting of Stockholders, directors are being nominated for election to serve until the next annual meeting of stockholders or until their successors are duly elected and qualified, or until the death, resignation or removal of such director. In a Board meeting on August 21, 2012, following the recommendation of our Governance and Nominating Committee, the Board nominated Messrs. Kissner, Hasler, Higgerson, Pangia, Rau, Sohi, Stoffel and Thompson as director nominees for election to serve on the Board following the annual meeting. Unless you attend the annual meeting in person and submit a ballot that indicates your intent to withhold your vote in favor of any or all of the director nominees listed below, or, in the alternative, submit a proxy card or other voting instructions, as the case may be, indicating your intention to withhold your vote in favor of any or all of the director nominees listed below, then your proxy will be voted "FOR" the election of each of the director nominees listed below.

The director nominees will be elected by plurality vote. In the unanticipated event that a nominee is unable or declines to serve as a director at the time of the annual meeting, all proxies received by the proxy holders will be voted for any subsequent nominee named by our current Board to fill the vacancy created by the earlier nominee's withdrawal from the election. As of the date of this Proxy Statement, the Board is not aware of any director nominee who is unable or will decline to serve as a director.

DIRECTOR NOMINEES

Name	Title	Age
Charles D. Kissner	Chairman of the Board	65
William A. Hasler	Director	70
Clifford H. Higginson	Director	72
Michael A. Pangia	Director, President and Chief Executive Officer	51
Raghavendra Rau	Director	63
Dr. Mohsen Sohi	Director	53
Dr. James C. Stoffel	Lead Independent Director	66
Edward F. Thompson	Director	74

Vote Required

Our directors will be elected from the persons nominated by the affirmative vote of holders of a plurality of our outstanding common stock present in person, or represented by proxy, at the annual meeting and entitled to vote.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE COMPANY'S BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE ELECTION OF EACH OF THE DIRECTOR NOMINEES AND UNANIMOUSLY RECOMMENDS A VOTE FOR EACH OF THE DIRECTOR NOMINEES.

PROPOSAL NO. 2:

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Company is asking stockholders to ratify and approve the appointment of KPMG LLP as the Company's independent registered public accounting firm for the year ending June 28, 2013. Pursuant to the approval of the Audit Committee of the Company's Board of Directors, on September 6, 2012 the Company dismissed Ernst & Young LLP as its independent registered public accounting firm and approved the engagement of KPMG LLP as its new independent registered public accounting firm. Ernst & Young LLP has served as the Company's independent registered public accounting firm since fiscal year 2007.

The reports of Ernst & Young LLP on the consolidated financial statements of the Company for the fiscal years ended July 1, 2011 and June 29, 2012 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the two most recent fiscal years ended July 1, 2011 and June 29, 2012 and the subsequent interim period through September 6, 2012, there have been no disagreements with Ernst & Young LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Ernst & Young LLP, would have caused it to make reference to the subject matter of the disagreement(s) in connection with its report on the consolidated financial statements of the Company.

No "reportable events", as such term is defined in Item 304(a)(1)(v) of Regulation S-K, occurred within the two most recent fiscal years ended July 1, 2011 and June 29, 2012 and the subsequent interim period through September 6, 2012.

During the two most recent fiscal years ended July 1, 2011 and June 29, 2012 and the subsequent interim period preceding the appointment of KPMG LLP, neither the Company nor anyone on its behalf has consulted KPMG LLP regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements; and as such, neither a written report nor oral advice was provided to the Company that KPMG LLP concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement (as defined in Regulation S-K, Item 304(a)(1)(iv) and the related instructions to this Item) or a "reportable event" (as defined in Regulation S-K, Item 304(a)(1)(v)).

Vote Required

Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending June 28, 2013 requires the affirmative vote of a majority of the shares of our common stock present in person or represented by proxy and entitled to vote at the meeting. If the appointment is not ratified, the Audit Committee will consider whether it should select another independent registered public accounting firm.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE COMPANY'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE AUDIT COMMITTEE'S APPOINTMENT OF KPMG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE 2013 FISCAL YEAR.

PROPOSAL NO. 3:

ADVISORY VOTE ON EXECUTIVE COMPENSATION

A "say on pay" advisory vote is required for all U.S. public companies under recently adopted Section 14A of the Securities Exchange Act of 1934, as amended. In accordance with this new law, we are asking stockholders to approve, on an advisory basis, the compensation of the Company's named executive officers disclosed in the Compensation Discussion and Analysis section, and the related compensation tables, notes and narrative in this proxy statement.

The Board of Directors recommends that you vote FOR approval of the advisory vote on executive compensation because it believes that the policies and practices described in the Compensation Discussion and Analysis are effective in achieving the Company's goals of rewarding sustained financial and operating performance and leadership excellence, aligning the executives' long-term interests with those of the stockholders and motivating the executives to remain with the Company for long and productive careers. Named executive officer compensation of the past three years reflects amounts of cash and long-term equity awards consistent with periods of economic stress and lower earnings, and equity incentives aligning with our actions to stabilize the Company and to position it for a continued recovery.

We urge stockholders to read the Compensation Discussion and Analysis beginning on page 22 of this proxy statement, as well as the Summary Compensation Table and related compensation tables, notes and narrative, appearing on pages 31 through 40, which provide detailed information on the Company's compensation policies and practices and the compensation of our named executive officers.

Vote Required

Approval of the advisory vote on executive compensation requires the affirmative vote of a majority of the shares of our common stock present in person or represented by proxy and entitled to vote at the meeting. While this advisory vote on executive compensation is non-binding, the Board and the Compensation Committee will review and consider the voting results when evaluating our executive compensation program.

RECOMMENDATION OF THE BOARD OF DIRECTORS

THE COMPANY'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS APPROVAL OF THE ADVISORY VOTE ON EXECUTIVE COMPENSATION.

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OTHER MATTERS

2012 Annual Report

Our annual report for the fiscal year ended June 29, 2012 will be available over the Internet and is mailed along with the other proxy materials to all stockholders who request printed copies in the manner specified in the Notice in this Proxy Statement.

Form 10-K

We filed an annual report on Form 10-K for the fiscal year ended June 29, 2012 with the SEC on September 4, 2012. Stockholders may obtain a copy of the annual report on Form 10-K, without charge, by writing to our Secretary, at the address of our offices located at 5200 Great America Parkway, Santa Clara, California 95054, or through our website at www.aviatnetworks.com.

Other Business

The Board is not aware of any other matter that may be presented for consideration at the annual meeting. Should any other matter properly come before the annual meeting for a vote of the stockholders, the proxy holders will have authority to vote all proxies submitted to them at their discretion as to any matter of which we did not receive notice by September 14, 2012.

