

HARRIS CORP /DE/
Form 425
September 07, 2006

Filed by Harris Corporation

Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

of the Securities Exchange Act of 1934

Subject Companies: Harris Corporation (Commission

File No. 001-3863) and Stratex Networks, Inc.

(Commission File No. 000-15895)

This filing consists of certain communications made in connection with the announcement of a Formation, Contribution and Merger Agreement, dated as of September 5, 2006, between Harris Corporation and Stratex Networks, Inc.:

Cautionary Statement Regarding Forward-Looking Statements

Certain statements in this communication constitute forward-looking statements. Forward-looking statements in this release include, but are not limited to, the expected benefits and costs of the transaction; the anticipated timing of completion of the transaction; any projections of earnings, revenues, cost of goods sold, expenses, synergy, accretion, margins or other financial terms; any statements of plans, strategies, objectives, market penetration, and any statements of expectation or belief. Such statements are made in reliance upon the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Actual results could differ materially from those projected or forecast in the forward-looking statements. The factors that could cause actual results to differ materially include the following: the possibility that the parties may be unable to achieve expected synergies and operating efficiencies in the proposed transaction within the expected time-frames or at all; integration of the operations of Harris Microwave Communications Division with those of Stratex Networks now may be more difficult, time-consuming or costly than expected and may not be as successful as the parties anticipate; revenues of the combined business following the transaction may be lower than expected; operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) of the combined business may be greater than expected following the transaction; the ability to retain key employees in Harris Microwave Communications Division and at Stratex Networks subsequent to the completion of the transaction; the conditions to the completion of the transaction may not be satisfied; regulatory approvals that might be required for the transaction might not be obtained on the terms expected and obtaining any such approvals or any other necessary regulatory reviews may not occur on the anticipated schedule; the parties' ability to meet expectations regarding the timing, completion and accounting and tax treatments of the transaction; Harris Microwave Communications Division and Stratex Networks are subject to intense competition; the failure of either Harris Microwave Communication Division or Stratex Networks to protect its intellectual property rights may weaken the competitive position of the combined company; in the future third parties may assert claims, including intellectual property infringement claims that could materially adversely affect the operating results of the combined company; as well as other factors discussed in Risk Factors under Item 1A. of Stratex Networks' Annual Report on Form 10-K for the most recently ended fiscal year and Stratex Networks' other filings with the SEC (which may also be applicable to Harris Microwave Communication Division), which are available at <http://www.sec.gov>. No person assumes any obligation to update the information in this document, except as otherwise required by law. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof.

Additional information and Where to Find It

This communication is for informational purposes only. In connection with the transaction, the parties will file a proxy statement/prospectus with the Securities and Exchange Commission (SEC).

This communication may be deemed to be solicitation material in respect of the proposed combination of Harris Microwave Communications Division with Stratex Networks. **INVESTORS AND SECURITY HOLDERS ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC WHEN THEY BECOME AVAILABLE, INCLUDING THE PROXY STATEMENT/PROSPECTUS THAT WILL BE PART OF THE REGISTRATION STATEMENT, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.** Investors and security holders will be able to obtain the documents free of charge at the SEC's web site, <http://www.sec.gov>. Copies of the proxy statement/prospectus and the filings with

the SEC that will be incorporated by reference in the proxy statement/prospectus may also be obtained when available, without charge, by directing a request to Stratex Networks, Inc., 120 Rose Orchard Way, San Jose, CA 95134, Attention: Office of the Secretary, or to Harris Corporation, 1025 West NASA Blvd., Melbourne, FL 32919, Attention: Office of the Corporate Secretary.

Participants in Solicitation

Stratex Networks, Harris and their respective directors and executive officers and other persons may be deemed to be participants in the solicitation of proxies from the Stratex Networks stockholders in respect of the proposed transaction. Information about the directors and executive officers of Stratex Networks is set forth in the proxy statement for Stratex Networks 2006 Annual Meeting of Stockholders, which was filed with the SEC on July 10, 2006. Information about the directors and executive officers of Harris is set forth in the proxy statement for Harris 2005 Annual Meeting of Stockholders, which was filed with the SEC on September 14, 2005. Investors may obtain additional information regarding the interest of such participants by reading the proxy statement/prospectus regarding the transaction when it becomes available.

Set forth below is the text of a transcript from the live joint conference call and webcast held by Harris Corporation and Stratex Networks beginning at 5:00 p.m. Eastern time on September 5, 2006:

HARRIS STRATEX NETWORKS, INC.
CONFERENCE CALL
September 5, 2006

INDEX

PRESENTATION BY	MR. KISSNER	5
PRESENTATION BY	MR. LANCE	7
CONTINUED PRESENTATION BY	MR. KISSNER	14
QUESTION & ANSWER SESSION		
Ittai Kidron, CIBC World Markets		19
John Bucher, BMO Capital Markets		21
Matt Robinson, Ferris Baker Watts		25
Chris Donaghey, SunTrust Robinson Humphrey		29
Kevin Dede, Merriman Curhan Ford		32
James McIlree, C.E. Unterberg, Towbin		38
Frank Marsala, West Albany Capital		43
Larry Harris, Oppenheimer		43
Rob Ammann, R.K. Capital		44

1 OPERATOR: Good afternoon, and welcome to Harris
2 Corporation's Stratex Networks joint conference call.
3 This call is being recorded.

4 Beginning today's meeting is Pamela Padgett, Vice
5 President of Investor Relations and Corporate
6 Communications of Harris Corporation. Please go
7 ahead.

8 MS. PADGETT: Thank you. Good afternoon and
9 welcome. I'm Pamela Padgett, Vice President of
10 Investor Relations and Corporate Communications. This
11 call is being held to discuss today's announcement
12 that Stratex Networks and Harris Microwave
13 Communications Division will be combined to form a new
14 company named Harris Stratex Networks. On the call
15 with me today is Charles Kissner, Chairman and CEO of
16 Stratex Networks, and Howard Lance, Chairman,
17 President and CEO of Harris Corporation.

18 And before we get started, let me say a few words
19 about forward-looking statements. In the course of
20 this teleconference Howard Lance, Chuck Kissner or
21 other management may make forward-looking statements.
22 Forward-looking statements involve assumptions, risks
23 and uncertainties that could cause results to differ
24 materially from those statements. For more

1 information and a discussion of such assumptions,
 2 risks and uncertainties, please see our joint release
 3 and filings made by Harris and Stratex Networks for
 4 the SEC.

5 In addition, in the presentation and on this
 6 teleconference we will discuss certain ratios and
 7 information that are non-GAAP financial measures. A
 8 reconciliation to the comparable GAAP measures is
 9 included in the presentation.

10 In addition, this conference may include
 11 information deemed to be solicitation material in
 12 respect of the proposed combination of Harris
 13 Microwave Communications Division with Stratex
 14 Networks. A proxy statement/prospectus will be filed
 15 with the SEC. Investors should read that document and
 16 any other related documents filed with the SEC when
 17 available. For more information on how to obtain this
 18 document please see our joint release.

19 Harris Stratex Networks and their respective
 20 directors, officers and other employees may be deemed
 21 to be soliciting proxies in favor of the combination.
 22 Information about their respective directors and
 23 executive officers is available in their annual proxy
 24 statements on file with the SEC. More information

1 about potential proxy solicitation will be included in
2 the proxy statement/prospectus.

3 A replay of this call will also be made available
4 on the Investor Relations section of our website.

5 And, Howard, with more than those few words, I'll
6 turn the call over to. Actually I'll turn it over to
7 Chuck.

8 MR. KISSNER: Thank you, Pam. And just to make
9 sure we're correct, I'm Chairman of Stratex Networks.
10 Tom Waechter is CEO.

11 Just a little background here. Over the past few
12 years our team at Stratex has realized that in this
13 new world of telecommunications there was a tremendous
14 opportunity for significant independent suppliers of
15 wireless transmission systems. Our customers have
16 Consistently told us both with words and action that
17 they want an independent choice beyond their narrowing
18 field of large infrastructure suppliers. They want to
19 have the freedom to choose the most innovative
20 solutions that they can find.

21 So on behalf of all of our stakeholders, we set
22 about several years ago to fill this need by achieving
23 the level of innovation and scale necessary to become
24 a more valuable partner to our customers. With the

1 introduction of the innovative Eclipse platform,
2 coupled with high growth, organic progress has clearly
3 moved us closer to the goal.

4 Of course the dedication to create a true leader
5 in our market has also led us to periodically look at
6 strategic ways to accelerate this process. And after
7 careful consideration we determined that now was the
8 time to take that next big step, and to do it with
9 Harris Microwave Communications division.

10 By creating a new company with a combination of
11 Stratex and Harris Microwave Division, we're creating
12 the kind of industry leadership that we expect will
13 delight our mutual customers as well as potential new
14 customers. As an immediately recognizable industry
15 leader Harris Stratex Networks is globally strong both
16 in North America and in the rest of the world. Both
17 Harris Microwave Division and Stratex Networks have
18 strong innovative products, a complementary customer
19 set, and financial momentum. And very importantly
20 we're confident that there is a great cultural fit.

21 Today you're going to hear about the plans for
22 this new company. I'd like you to remember this, the
23 progress that both Stratex and Harris have made in
24 this field has been driven by innovation. And this is

1 yet another innovative, and yet a logical step, and
2 one that we expect will result in sustainable industry
3 leadership, a valuable enterprise, and a company that
4 will well serve all of our stakeholders whether they
5 be customers, investors or employees.

6 Now I would like to introduce, and especially to
7 our loyal Stratex Networks stockholders, someone I've
8 had the great pleasure to work with through this
9 process. In my opinion, Howard Lance, Chairman and
10 CEO of Harris, clearly shares the vision of what a
11 game-changing, major move this can be. Under his
12 leadership, Harris has had outstanding performance in
13 many dimensions. And as you'll hear, Howard shares
14 our vision and is committed to the success of Harris
15 Stratex Networks. In fact, he plans to serve on the
16 Board of this new company, and I'm absolutely
17 delighted about that.

18 Howard.

19 MR. LANCE: Thanks, Chuck. And good afternoon
20 everyone.

21 As Chuck has already described, the combination
22 of these two businesses is being built on the recent
23 successes and financial momentum of both companies,
24 and it will be further driven by the greater scale and

1 industry leadership that this combination creates.
2 Not only is there strong strategic rationale
3 supporting the combination, but the financial
4 rationale is also very compelling. We believe that
5 combining these two companies will provide significant
6 value creation for shareholders on both sides. This
7 really is a game-changing strategy, and I think it has
8 the potential to reshape the industry for wireless
9 transmission network solutions.

10 As Chuck also said, we're confident this is a
11 deal our customers will embrace. It provides them
12 with an independent wireless transmission supplier
13 with the product innovation required to consistently
14 deliver them the best value via our superior
15 telecommunications solutions. Our customers will
16 immediately benefit from a supplier with greater
17 scale, global reach and a breadth of product offering
18 that is unmatched in the market place.

19 They will also benefit immediately from
20 partnership with a larger, more competitive and
21 financially stronger company, one that will have the
22 financial capacity to continue to invest in new
23 technologies and in adjacent wireless markets.

24 Both companies have a well-earned reputation for

1 quality, technology and innovation. Bringing our R&D
 2 teams and product specialists together, and merging
 3 that technology and know-how, will continue to make us
 4 a more valuable partner for our customers going
 5 forward. Bringing together leaders in innovation and
 6 technology makes this combination much more than
 7 simply one plus one.

8 We d like to walk you through a series of slides
 9 that will further describe the combination for you.
 10 The slides also form the basis for an investor road
 11 show that the new company will kick off later this
 12 week in New York. The slides are located on the
 13 investor relations websites of both companies.

14 If you turn to slide four, you ll get a sense for
 15 what we are creating with this combination of the two
 16 companies, a new company with much greater scale,
 17 innovative solutions, improved financial performance
 18 and flexibility, and a company serving a very large
 19 and diverse global customer base.

20 The combination of these two industry leaders
 21 will instantly create a larger, more competitive,
 22 pure-play wireless technology company capable of
 23 achieving stronger financial performance than two
 24 stand-alone companies could. And as Chuck mentioned,

1 this new company will be a recognized industry leader
2 from day one. We will have already earned that
3 position.

4 Slide five outlines the transaction itself.

5 Harris will contribute its Microwave Communications
6 Division and \$25 million of cash in exchange for
7 approximately 56 percent ownership of the new company.

8 Stratex Networks shareholders will exchange their
9 existing stock for approximately 44 percent ownership
10 of the new company.

11 The transaction is expected to contribute
12 significantly to the financial results of both
13 companies. It is expected to be neutral to Harris
14 Corporation earnings per share in our fiscal year
15 2007, and then accretive by seven cents per diluted
16 share in fiscal year 2008. This excludes the impact
17 of a one-time gain from the combination, as well as
18 acquisition and integration expenses.

19 The transaction is expected to be slightly
20 accretive to Stratex Networks earnings per share in
21 fiscal year 2007, and then accretive by eight cents
22 per diluted share in fiscal year 2008, also excluding
23 acquisition and integration expenses.

24 The new company will also benefit from the

1 combined leadership talent that it will have going
2 forward. This begins with both companies having
3 industry veterans at the helm. Guy Campbell,
4 President of the Harris Microwave Communications
5 Division, with more than 20 years experience in this
6 industry, will be Chief Executive Officer. Tom
7 Waechter, CEO of Stratex Networks, will be Chief
8 Operating Officer. Sally Dudash, Vice President and
9 Controller of the Harris Microwave Communications
10 Division will be Chief Financial Officer. The rest of
11 the leadership team combines talent from both
12 organizations.

13 Harris Stratex Networks will have a strong and
14 independent Board of Directors from the beginning.
15 The nine-member Board will consist of five directors
16 nominated by Harris, and four directors nominated by
17 Stratex. A majority of these directors are expected
18 to be independent, including three current directors
19 of Stratex Networks and two of the Harris nominees.
20 The Board will also include Guy Campbell, myself, and
21 Chuck Kissner, who s agreed to serve as non-executive
22 chairman.

23 Slide six provides a current snapshot of the two
24 companies and the momentum we see in both of their

1 recent financial performance. Both companies are
2 showing excellent momentum in orders and in revenue
3 growth. Orders have been greater than sales for the
4 past several quarters at both companies. Operating
5 margins have been improving. The slide also points
6 out the complementary nature of the served markets and
7 the fact that both companies have already made
8 significant investments in new, lower-cost product
9 lines to drive future growth and profitability.

10 Turning to slide seven, we summarize the
11 strategic and financial rationale driving this merger.
12 The combination of our two businesses creates
13 significant scale, positioning us as the number three
14 global supplier, adding to our number one position in
15 North America, and becoming the number two supplier in
16 the fast growing Middle East and Africa region.

17 Our highly complementary distribution channels
18 and unmatched product portfolio are very compelling
19 reasons for bringing these two companies together.
20 And as we bring them together, we will also benefit
21 from an estimated \$35 million in expected annual
22 savings from product cost reductions and operating
23 expense reductions.

24 The past success of our two companies, the

1 complementary nature of this merger, and growing
 2 global markets, positions Harris Stratex Networks to
 3 achieve double digit revenue growth going forward with
 4 continuing operating margin expansion. We believe
 5 there are great opportunities for an independent
 6 supplier capable of providing complete end-to-end
 7 transmission solutions and turnkey network services.

8 Turning now to slide eight, these pie charts
 9 offer a graphic depiction of the added scale and
 10 market share the new company will command on the day
 11 of the closing, with direct and channel partner sales
 12 coverage in all regions of the world.

13 Slide nine illustrates the complementary nature
 14 of our market channels, and shows the last 12 months
 15 revenues by region for each company. It also provides
 16 a little more detail on the global footprint of the
 17 new company. This geographic coverage slide reflects
 18 the less than five percent overlap that exists in the
 19 current combined customer base. Harris Stratex
 20 Networks will have a strong global presence in North
 21 America, the Middle East and Africa, Europe and Asia,
 22 as well as the ability to address growing
 23 opportunities in emerging markets such as Russia and
 24 India.

1 Slide ten illustrates the expected market growth
2 forecast going forward. As I think most of you know,
3 the fundamentals of the market remain very strong with
4 expected annual growth rates of 8 percent through
5 2009. The combination of the Eclipse and TRuepoint
6 products positions the new company very nicely in the
7 very desirable growth segments of the overall market.

8 This global growth is being driven by a number of
9 factors. In many emerging markets it's new network
10 build-outs and network expansions. In more developed
11 markets, such as Europe and North America, it's being
12 driven by the 3G network rollouts, leased-line
13 substitution for microwave, and expanding bandwidth
14 requirements for new triple-play services. This is
15 driving increased capacity and extended and expanded
16 footprint requirements. In North America we also
17 expect the 2 gigahertz spectrum relocation that is
18 underway to drive new demand similar to that generated
19 in the 1980s when we had the PCS relocation.

20 And in both private networks and mobile networks
21 there is increased focus on the hardening of networks
22 to protect against both natural and man-made
23 disasters.

24 At this point I'm going to turn the call back to

1 Chuck to discuss the remaining slides.

2 MR. KISSNER: Thank you, Howard. Now, let me
3 continue.

4 If you'll turn to slide 11, that gives you a
5 pretty compelling graphic of why we think Harris
6 Stratex Networks will deliver an end-to-end product
7 portfolio that's unmatched in the industry. The
8 combined product offering will be the broadest in the
9 industry, and it includes transport and access
10 microwave radios, carrier-grade Ethernet transmission
11 systems, and network management software. In
12 addition, we'll continue to provide turnkey network
13 services that include network planning, engineering,
14 and implementation, all of which further deepens the
15 relationship with our customers.

16 On slide 12 we're pointing out that the
17 successful combination of these two businesses
18 contemplates approximately \$35 million in annual cost
19 savings, and we believe this is achievable in fiscal
20 2008, ending June, 2008.

21 Cost savings can be realized from both lower
22 product costs and operating expenses. The combined
23 gross margins between the two companies over the past
24 year have risen from 26 percent to 32 percent, and

1 we're targeting 40 percent going forward, and that's
2 driven by the implementation of joint manufacturing
3 initiatives and volume leverage in the supply chain.
4 Operating expenses as a percentage of revenue declined
5 to 25 to 27 percent in the prior year, and we
6 believe 25 percent is achievable by addressing
7 duplication in overhead functions.

8 On slide 13, this slide puts a stake in the
9 ground regarding financial targets that we believe can
10 be achieved in the fiscal 2008 to 2009 timeframe. We
11 think these targets are achievable, annual growth rate
12 for revenue of 10 to 15 percent, gross margins of
13 around 40 percent, operating expense at 25 percent of
14 revenue, as I mentioned earlier, with a resulting
15 operating income at 15 percent of sales. We strongly
16 believe this merger will create tangible value for all
17 stakeholders.

18 And on slide 14, just to summarize the
19 presentation, this represents the summary of the value
20 we're creating with a merger of these two industry
21 leaders.

22 First, the transaction is accretive to both
23 Harris and Stratex shareholders. From the day of
24 signing, Harris Stratex Networks becomes the leading

1 independent provider of wireless transmission systems.

2 The merger provides this new company with a scale to

3 win. Superior scale should enhance our ability to

4 serve large customers and to compete for major

5 accounts. We'll also have the opportunity to increase

6 penetration of our mutual customer bases. The

7 opportunity to expand Eclipse and TRuepoint products

8 can be significant. Our strong brands and our best of

9 breed products and technologies create a clear and

10 sustainable product leadership position.

11 I think it's abundantly clear that the combined

12 geographic coverage puts this new company in a

13 position to seize growth wherever it's strongest in

14 the global telecommunications market.

15 And finally, the combination of our two

16 businesses will create a world-class engineering,

17 marketing and sales, and global support team, with

18 strengthened overall management leadership. You know,

19 we've arrived at this point in time as a result of the

20 progress and the sacrifices made by employees at both

21 companies. We have two outstanding teams, and we

22 believe now is the right time to combine forces and

23 assume a leadership position in this industry.

24 So as you can see, putting together Harris

1 Microwave Communications Division and Stratex Networks

2 creates a compelling enterprise.

3 As a clear global leader in our market space,

4 with the synergies afforded by this combination, and

5 with the power to drive even more innovation going

6 forward, a complementary set of customers, products

7 and services, this is a step I firmly believe should

8 be embraced by Stratex Networks shareholders.

9 This is the next logical step, and the timing is

10 right. I feel strongly about this, and as Howard

11 mentioned, I and several of my fellow directors at

12 Stratex have agreed to serve on the Board of this new

13 company. As a combined enterprise, with both industry

14 scale and a level of independence to be nimble, this

15 is a company that all of Stratex Networks directors

16 have decided makes tremendous sense.

17 Now, we know many of you have questions about

18 this announcement, so Howard and I, as well as some

19 other members of the management of both Harris and

20 Stratex Networks are on the line.

21 So at this point, Operator, can you please open

22 the calls for questions.

23 OPERATOR: Yes, thank you. The question and

24 answer session will be conducted electronically. If

1 you would like to ask a question, please do so by
2 pressing the star key followed by the digit one on
3 your touch tone telephone.

4 If you are using a speakerphone, please make sure
5 your mute function is turned off to allow your signal
6 to reach our equipment.

7 Once again, it is star one if you do have a
8 question or a comment. And we ll pause for a moment.

9 Our first question comes from Ittai Kidron with
10 CIBC World Markets.

11 MR. KIDRON: Congratulations on the announcement.

12 Chuck, perhaps you can walk me through the
13 transaction structure. I m still somewhat confused on
14 how this exactly works. In three, four months when
15 this deal closes, from what I m able to understand,
16 Stratex as a public company does not exist anymore, am
17 I correct?

18 MR. KISSNER: That s correct. There will be a
19 new company called Harris Stratex Networks. The
20 ownership of that company will be around 56 percent
21 owned by Harris Corporation, and the remaining
22 ownership will be based on the current or at the time
23 the Stratex shareholders.

24 MR. KIDRON: Got it. But this entity will then

1 be a holding, basically a subsidiary of Harris, and I
2 guess at some point when you say it will (inaudible)
3 that means you'll either spin it off or take it public
4 as a second step?

5 MR. KISSNER: It will be a public company with a
6 majority with its own board, its own stock, has one
7 large shareholder, one major shareholder excuse
8 me one larger shareholder. I'm sure there will be
9 other major shareholders. The largest shareholder
10 will be Harris. And it'll be publicly traded on the
11 market. And Harris will consolidate the results since
12 it's a majority shareholder.

13 MR. KIDRON: Okay, thank you.

14 MR. KISSNER: Does that answer your question?

15 MR. KIDRON: I'm still so this the public
16 shareholders in the company today will have to hand
17 the shares over in order to get shares in this new
18 entity called Harris Stratex, which will be fully
19 consolidated, and under Harris will not be a public
20 company?

21 MR. KISSNER: No, it will be a public company.
22 And the Stratex shareholders today will exchange their
23 shares, that's true. By the way, just

24 MR. KIDRON: But what will they exchange their

1 shares for?

2 MR. KISSNER: The new company called Harris

3 Stratex Networks.

4 MR. KIDRON: But Harris Stratex Networks is not a

5 listed company.

6 MR. KISSNER: Yes, it will be a listed company on

7 NASDAQ. It's just has the largest shareholder will

8 be Harris.

9 MR. KIDRON: Okay. So to put it differently,

10 Harris will contribute its assets to Stratex, and will

11 get 56 percent of Stratex.

12 MR. KISSNER: That's a better way of looking at

13 it, yeah.

14 MR. KIDRON: Thank you very much. Good luck.

15 MR. KISSNER: I knew you could state it

16 eloquently.

17 MR. KIDRON: (Inaudible.) All right, thank you

18 very much. Congratulations.

19 MR. KISSNER: Thanks.

20 OPERATOR: And we move next to John Bucher with

21 BMO Capital Markets.

22 MR. BUCHER: Thank you. John Bucher. For

23 Howard, first, Howard, besides the cash that you've

24 agreed to commit here, do you see any additional cash

1 requirements on the part of Harris Corporation once
2 Harris Stratex Networks begins rationalizing overhead,
3 facility, administration, and whatnot?

4 MR. LANCE: No. At this point we don't envision
5 any additional cash infusion required. This company
6 will start out with a very clean balance sheet, and
7 will be in a position to obtain its own financing if
8 that's required.

9 MR. BUCHER: And then, Howard, maybe you—if
10 you all could talk just a little bit what you can
11 about how this came about. It does appear that
12 there's some overlap in the product portfolios there,
13 but, you know, clearly you've stated a pretty strong
14 case here for a lot of synergies to be had. Is this
15 something that, you know, you're answering the cry for
16 consolidation, if you will, or you saw a significant
17 synergy in the product portfolio? Could you just sort
18 of talk a little bit about the background leading up
19 to this?

20 MR. LANCE: Well, I think in the end both
21 companies have shown significant progress on their own
22 in redesigning their complete product lines, driving
23 organic growth and returning to profitability. The
24 question was, as a stand-alone company, in either

1 case, either our microwave business or the Stratex
2 Networks business, how far could they go on their own.
3 And we both, I would say, reached a similar conclusion
4 at about the same time, which was that together we
5 could get the benefits of the scale and the leverage.

6 We're going into, I think, a very strong growth
7 period for the market. Scale really does matter in
8 this market, especially internationally. Together we
9 are almost twice as big internationally as either
10 company would be independently. And that's a
11 significant factor remembering that about 75 or 80
12 percent of the global market is outside of the United
13 States, and where you're competing against sizable,
14 integrated global competitors in the infrastructure of
15 providers.

16 So together we're going to have a much stronger
17 position to be able to operate in those global growth
18 markets and compete effectively, and we think win. We
19 think there's a very strong place in the market for an
20 independent microwave company focussed on that
21 technology, and all of the services that are
22 surrounding it, and to compete with people who are
23 primarily in other businesses and bundle microwave
24 radios as part of a sale.

1 MR. BUCHER: And then finally, Howard, your
2 implication is that you have the overall market, which
3 you indicated the global market growth of around eight
4 percent or so for all the segments, and you're
5 targeting the double-digit growth there, in fact, you
6 even say ten to 15 percent or so. It's because of,
7 number one, your independence, and I guess, number
8 two, the global scope and scale that you think that
9 the combined entity can take the share from here.

10 MR. LANCE: Yeah, I think those two factors,
11 John. And then I would add to that the fact that
12 Harris has transport product lines that they can now
13 market through the existing Stratex Network's customer
14 base and channels to market. So that's very
15 important. As well as, together we have the broadest
16 profile in the industry, as the one slide indicates,
17 and an opportunity to serve the customer all the way
18 from their simplest access product need up to their
19 most complex integrated network, and then to wrap
20 around that the support of services in network
21 management.

22 And then finally, I think we're going to be aided
23 by faster growth because of our focus in faster
24 growing markets. We are both well positioned in

1 emerging markets that are expected to grow a little

2 faster than that eight percent in the total market

3 number, John.

4 MR. BUCHER: Thank you very much.

5 Congratulations.

6 OPERATOR: Next we have Matt Robinson with Ferris

7 Baker Watts.

8 MR. ROBINSON: Hi, good afternoon. I guess

9 you've included margins in on your slides I

10 can't see them. Is that correct?

11 MR. KISSNER: That's right, Matt.

12 MR. ROBINSON: Yeah. Can you talk a little bit

13 about supply chain and facilities, and how the

14 products overlap or where there might be some market

15 expansion for the two companies?

16 MR. KISSNER: Well, you've got a couple of

17 questions there wrapped together, I think. But let me

18 try to

19 MR. ROBINSON: Probably three or four really.

20 MR. KISSNER: First of all, in terms of supply

21 chain, just in general, we do expect to see supply

22 chain efficiencies that will result in lower cost in

23 goods. I think that's pretty clear from the scale of

24 the company. And we don't have a lot of overlap in

1 the supply chains right now. So we do believe that by
2 combining the supply requirements we will experience a
3 couple of things. One is volume discounts, but also
4 we can smooth out our demand cycles with our
5 suppliers, which also helps us from a cost point of
6 view.

7 In terms of the overlap and what it does in the
8 market, I think well, Howard had a slide indicated
9 that there was very little overlap in the market
10 between us. We knew there wasn't much because we
11 really haven't run into each other a whole lot around
12 the world. But it was surprising as we went through
13 all of the details why that was true. And without
14 getting into a lot of details, we think it's less than
15 five percent in terms of overlap.

16 So there's no big hurry to try to rationalize
17 product lines right now because each of these products
18 have, as you know, some very different characteristics
19 as well as some similar functions; but they're
20 different enough that they each have a place in the
21 marketplace, whether it's with a specific customer or
22 an application, whatever. I think the rationalization
23 further down the road is where some of the more
24 exciting opportunity is, but that's in future

1 generations of product.

2 So I think in terms of components and general

3 supply, and so on, we can move pretty quickly towards

4 getting supply chain efficiencies. The product design

5 efficiencies probably come somewhat later, and still,

6 I think we're pretty comfortable with the level of

7 synergies that we've talked about.

8 MR. ROBINSON: Has Harris gone to the same degree

9 that Stratex has in terms of moving to CMs and

10 bringing as much design into more standard

11 digital-type product manufacturing?

12 MR. LANCE: Matt, I think the answer is a yes and

13 no. Yes from a product line standardization

14 standpoint. Similar to the approach with Eclipse, our

15 TRuepoint product line has emanates from a common

16 platform with lots of common components. But while we

17 are moving some of our products toward the contract

18 manufacturing business model, we've only just started

19 there, and certainly there's a lot that two companies

20 working together can do to benefit from that model.

21 MR. ROBINSON: So Harris' side of it will still

22 have significant captive manufacturing?

23 MR. LANCE: Yes. We expect to continue to have

24 manufacturing at our facility at San Antonio, Texas.

1 MR. ROBINSON: In terms of the product overlap my
2 understanding is Harris there's a lot more in the U.S.
3 has long-haul type products, is that correct?

4 MR. LANCE: We have a complete product line, but
5 our sales distribution would be typically a little
6 over 50 percent in the North America market, and
7 certainly a significant amount of our global sales
8 does come from larger transport and trunking radios,
9 yes.

10 MR. ROBINSON: So Chuck, is that where you're
11 talking about the absence of overlap?

12 MR. KISSNER: Right. That's the evidence of it.
13 Clearly we're focussed 95 percent on the international
14 market, and our entire product line is focussed on the
15 access business, whether it be voice or data access.
16 So somewhat of a different focus, but a great
17 combination when you put all of that together.

18 MR. ROBINSON: What about facilities, I guess the
19 press release talked about the headquarters moving or
20 rather it being in Research Triangle Park, where are
21 the other major facilities?

22 MR. KISSNER: Well, we're not the facilities
23 are the same as what we have today between the two
24 companies. And in terms of any rationalization, or

1 whatever, I think those are details that would come
2 out later as we go through the planning process, and
3 get to closure.

4 But as far as the headquarters, the company has
5 to have some headquarters, and the headquarters will
6 be in Research Triangle Park. The headquarters
7 functions will be split between Research Triangle Park
8 and San Jose.

9 MR. ROBINSON: Okay. Thank you.

10 OPERATOR: And we'll take our next question from
11 Chris Donaghey with SunTrust Robinson.

12 MR. DONAGHEY: Hi, good evening, guys.
13 Congratulations on the deal.

14 First of all, I wonder if you could talk about
15 Stratex's focus on the international market, you know,
16 what was the rationale in focussing on that market to
17 begin with rather than taking a more domestic focus?

18 MR. KISSNER: Well, part of it is the legacy of
19 the company. If you go way, way back, the company
20 actually was formed out of folks that came out of what
21 became Harris Microwave Division 20 something years
22 ago. And I think they started focussing on the U.S.
23 back in the mid '80s, but found a much more
24 significant market for this kind of product outside of

1 the U.S. at that time. And the reason why, was that
2 in mobile backhaul something like 80 percent of the
3 transmission is done with microwave radios. So it was
4 a very, very lucrative market. So the company by
5 legacy did quite well in that market, got very, very
6 strong. At the same time whenever it tried to go into
7 the U.S. market, because of its size, and a number of
8 other things, it was difficult for it to gain
9 significant traction. For one reason Harris was a
10 very, very strong supplier in the U.S. market, and so
11 it was somewhat difficult to penetrate. But that
12 market outside of the U.S. has turned out to be very
13 lucrative for Stratex, and it actually drove the
14 designs of the products to fit the international
15 market in a very strong way.

16 I think we've always felt that to be a truly
17 global supplier we had to be strong both in North
18 America and outside North America at the same time.
19 And I think that's one of the reasons why
20 strategically we thought doing something like this
21 made a tremendous amount of sense.

22 MR. DONAGHEY: Okay. And so as you look at those
23 ten to 15 percent targeted top-line growth rate going
24 forward, is that now you're moving the Stratex

1 products back into the domestic U.S. market or is it
2 still going to be more international focussed in terms
3 of that excess growth opportunity?

4 MR. KISSNER: I think it's too. Thank you. I
5 think it's too earlier to really talk about
6 specifically where the products are going to go.
7 Other than to say that both products have a very
8 healthy customer base today, and we expect to sustain
9 that customer base with the products that we have
10 right now. And, you know, going into product
11 substitution, and so on, is not really we can't get
12 into that kind of specificity right now.

13 That being said, there are some markets, as
14 Howard talked about, that are particularly strong and
15 growing very quickly. And when we look at the
16 products individually, some of the TRuepoint products
17 are probably a better fit in some of these new markets
18 than Eclipse. And Eclipse is probably a better fit
19 than some of the TRuepoint products. And we intend to
20 take advantage of that.

21 MR. DONAGHEY: Okay, great. Thanks. And one
22 final question. Just on the structure, Howard. So
23 when the deal is closed, the Harris Microwave
24 Communication segment from an income statement

1 prospective will say, Harris Stratex Networks, and it
2 will incorporate the full financial results for that
3 subsidiary, but at the same time, Harris Stratex
4 Networks will report its own financials under a
5 separate set of documents or press releases as a
6 stand-alone company, and, you know, I hate to use this
7 example, but very similar to what we see at Converse
8 and Verint

9 MR. LANCE: Well, I think what you said is
10 accurate. I don't know those two companies. But yes,
11 you know, each quarter Harris Stratex Networks will
12 report their full results for the company. As a
13 majority control shareholder we're required then to
14 consolidate the entire results into our income
15 statement and our balance sheet, all the assets,
16 liabilities, and so on, and then of course at the
17 minority interest line we'll eliminate the 44 percent
18 of the company that we do not own.

19 MR. DONAGHEY: Okay.

20 MR. LANCE: So what today says Microwave
21 Communication segment will in fact be the aggregate
22 combination of this combined company.

23 MR. DONAGHEY: Okay, great. Thanks, Howard.

24 OPERATOR: Next we have Kevin Dede with Merriman.

1 MR. DEDE: Good afternoon, gentlemen. Would you
2 mind delving into the product mix a little bit more?
3 I understand that Harris is in the process of, what,
4 upgrading Megastar for a March quarter release? I'm
5 just still trying to understand the sense behind
6 supporting both TRuepoint and Eclipse. And then I'd
7 like to know where you would go with the Constellation
8 versus Altium and Aurora versus Zelox.

9 MR. LANCE: Well, I think first of all, Kevin, in
10 the transport space you're exactly right. We're
11 developing the TRuepoint 6000, 6500 series, and that
12 will serve two purposes, it will be a global transport
13 product. And with this new combined company we'll
14 have new customers to go and introduce that product
15 line to, and hopefully displace some others who are
16 currently selling them their transport products.

17 It will also serve in the long run as a
18 replacement not only for the Megastar but for the
19 Constellation product line. That is some quarters
20 out, but that's the strategy for the development of
21 that product that we've been talking to customers
22 about. So that will continue exactly as we have
23 currently planned.

24 I think in the long run Guy Campbell and Tom

1 Waechter and their team will work together to decide
 2 how to get the best of the best in the technology.
 3 I'm sure there will be some product consolidation, but
 4 that's going to be in the longer term. We've got
 5 several months here to get through the requirements
 6 for closing. There will be a lot of planning going on
 7 during that time by joint integration teams that will
 8 be put together. And then they'll be ready to launch.
 9 At the closing I'm sure they'll have some more
 10 definitive things that they can say about the product
 11 strategy at that time.

12 MR. DEDE: Very good. Are there
 13 Hart-Scott-Rodino implications?

14 MR. LANCE: We have to go for a filing, but
 15 because of the small amount of revenue that Stratex
 16 Networks has in the U.S. we don't see that as being
 17 any kind of an issue.

18 MR. DEDE: Okay. When do you suppose this topic
 19 goes before Stratex shareholders?

20 MR. KISSNER: We've said that it would probably
 21 be in late November if everything goes smoothly.
 22 Obviously if it doesn't, it could take longer than
 23 that.

24 MR. LANCE: Stratex expects to file their S4 some

1 time in the next couple of weeks, three weeks, I
2 think, for comment from the SEC. And then the proxy
3 will be put together for the shareholder review.

4 MR. DEDE: So how many outstanding shares will
5 this combined company have?

6 MR. KISSNER: It will be based on the ratio of
7 the shares to be issued, it will be somewhat south of
8 60 million, probably 56, 58 million share level.

9 MR. DEDE: How did you decide on the 56/44 split
10 given that rev split at about 60/40?

11 MR. LANCE: Well, obviously we worked on trying
12 to strike the right balance for what each company has
13 produced in the previous period, but also what each
14 company felt they could produce going forward in terms
15 of both revenue and profitability. And then we looked
16 also at the synergies, and agreed on the 56/44 split
17 as an appropriate way to create value for both the
18 shareholders of both companies as well as to recognize
19 a sharing in the synergies since they really can only
20 be created by both companies coming together.

21 MR. DEDE: So, Chuck, the press release mentions
22 your licensed partner. I'm just wondering what you
23 think their take will be given the competitive nature
24 that they probably see Harris at in North America.

1 MR. KISSNER: Well, I guess you would have to ask
2 them. All I can tell you is that we're committed to
3 support our license partner or partners going forward.
4 We think it's an important part of the program, and
5 we've carefully integrated that into the planning that
6 we've done so far in putting this together, and
7 probably wouldn't have proceeded if we didn't feel
8 that we were going to meet our obligations in the most
9 enthusiastic way.

10 MR. DEDE: Last question for me. What's the
11 headcount at Stratex and the headcount at Harris
12 Microwave Division, and where do you see that going?

13 MR. KISSNER: Well, let's see, we have to go get
14 the numbers out of here. Let's see. Well, Stratex is
15 about 450 in total. And I don't actually have a
16 number here for

17 MR. LANCE: It's around a thousand.

18 MR. KISSNER: Around a thousand. Excuse me, 950,
19 I just got the number. Around 950. Clearly there's
20 synergies, but we don't—we can't really get into
21 the details now about how much of that is affected by
22 headcount.

23 MR. LANCE: Both the teams have a lot of work to
24 do and the planning process on integration between now

1 and the closing certainly there are cost savings that
2 will be realized, but how that translate into
3 individual headcount is too early to articulate.

4 MR. KISSNER: I think the thing to remember is
5 that all the synergies we're talking about here, they
6 arise from many different sources. The product cost
7 synergies are a very significant part of the synergies
8 going forward. We talked about supply chain, best of
9 best, product design in the long term, and things like
10 that. There is obviously in something like this some
11 duplication of functions, and that impacts people in
12 some way. But to say that all the synergies might be
13 coming out of headcount would be wrong.

14 MR. LANCE: Yeah, absolutely. And at the same
15 time, Kevin and others on the line, don't go away
16 thinking that we're just making up or throwing out
17 numbers here. There's been a lot of detailed analysis
18 that's been done on these synergies. And it's really
19 just a question of Guy and Tom and their teams needing
20 time to really put together a detailed transition plan
21 before we're going to be in a position to discuss a
22 lot of specifics, so. But a lot of analysis has been
23 done, and we are confident in the profitability
24 prospects for the combined company.

1 MR. DEDE: So the net operating loss carried

2 forward, are they washed on this merger?

3 MR. MCARTHUR: Let me speak to that. The net

4 operating loss carried forward will actually continue

5 from a cash flow nature. With regards to an income

6 statement they will come out of the P&L and move to

7 the balance sheet. But as far as the cash generated

8 from the NOLs, they will continue.

9 MR. DEDE: From both companies?

10 MR. MCARTHUR: When you say both companies, the

11 NOLs of they ll get combined, and it will be on a

12 balance sheet. There won t be a P&L as a proven

13 profitability. Being able to run that through the P&L

14 will go away, and it will come up on the balance sheet

15 as a deferred tax item.

16 MR. DEDE: Okay. Thanks very much for taking my

17 questions.

18 MR. KISSNER: That was Gary McArthur, CFO of

19 Harris.

20 OPERATOR: Next we will move to Jim McIlree with

21 Unterberg, Towbin.

22 MR. MCILREE: Thank you. It looks to me like

23 most of the cost savings you re expecting are coming

24 out of cost of sales because the offset as a percent

1 of sales looks like it's pretty close to your target.

2 And given that Stratex, I think, peaked gross margins

3 at 38 percent, hitting 40 percent seems like it's kind

4 of a heroic assumption.

5 So the question is, I know you've kind of said

6 that there savings everywhere, but it seems to me that

7 most of the savings are in cost of sales. And if so,

8 you know, how much have you really identified to save

9 in that cost of sales, and how much of the savings is

10 Kentucky Windage

11 MR. KISSNER: In my opinion, looking at the

12 detail that we've gone through, as you know we've

13 been, at Stratex alone, advertising a target of 36 to

14 38 percent. If I look at the detail that's behind

15 this, and how we get there, and what the ASPs are in

16 the combined company, and a number of other factors,

17 the 40 percent I think is highly achievable or we

18 wouldn't have, together, put this on the table.

19 Remember we're talking about a market that's

20 global now. We have more power in the market. It's a

21 combination of the North America and international

22 market, and it's one that we're more of a value

23 provider with all the services that go around the

24 products. And so I think it's quite achievable.

1 Howard, do you want to speak to that, too?

2 MR. LANCE: I certainly agree with you. I think,
3 Jim, one thing you might consider is the positive
4 contribution to that gross margin that comes from the
5 transport part of the market, which has historically
6 for us contributed higher margins than the access only
7 piece.

8 And then secondly, when you look at the network
9 management software and services that we're able to
10 wrap around the product only offer that we make.

11 So we feel very comfortable that can be achieved,
12 and would not have suggested that number if there
13 wasn't a basis for getting to it.

14 Again, I think that this very detailed plan you
15 can expect will emerge as we come out of this planning
16 session between signing and closing. And I would say
17 in the same way that we provided relatively specific
18 how to achieve targets during my tenure at Harris
19 we're going to be doing the same thing in encouraging
20 Guy and Tom Waechter to do that for Harris Stratex
21 Networks. And Tom, or Chuck and I, have been very
22 involved with them as we have worked together to put
23 together the preliminary plans. You'll hear a lot
24 more detail as we go forward.

1 MR. MCILREE: And then quickly, Howard, slide 13
2 shows the targets for this entity of over ten percent
3 top line, over 15 percent operating income margin,
4 which I think fits your criteria for the kind of
5 companies you want at Harris. So if this is the case,
6 then why not just buy this and reap all of the
7 benefits for Harris shareholders rather than for only
8 56 percent of them, so to speak?

9 MR. LANCE: Well, number one, Jim, a big
10 consideration is creating shareholder value in
11 acquisitions. I have said many times before that
12 that's always very high on our list. To do that on
13 the basis of the current results a hundred percent
14 acquisition would have been a diluted acquisition.
15 And for that reason I did not believe that was really
16 the best first step.

17 This gives Harris lots of flexibility going
18 forward. We've committed to a two-year standstill
19 where we will maintain this ownership for the next two
20 years. Following that we can increase our ownership
21 up to a little higher level, but still are relatively
22 inflexible. But in the long run we become very
23 flexible in terms of whether this kind of a company
24 fits our strategy in terms of what Harris shareholders

1 are trying to achieve.

2 Right now we think it's the right move. We're
3 heading into, I think, a prolonged positive growth
4 cycle in the market. We're going to deliver an
5 accretive transaction and create value for both sets
6 of shareholders. And we're going to be achieving, as
7 you indicated, Jim, some of the targets that I set.
8 While at the same time we're going to be giving Harris
9 an expanded commercial communications revenue and
10 growth prospect to help continue to drive
11 diversification in our portfolio.

12 MR. KISSNER: Let me add to that from the Stratex
13 shareholder point of view, and how we looked at this.
14 We think this is a great opportunity for Stratex
15 shareholders to increase the value of their investment
16 by continuing to allow them a vehicle to participate
17 in this. The numbers are very compelling in many,
18 many ways in terms of growth and profitability, and so
19 on. The sustainability is very high in this business
20 with a much larger enterprise. And we felt it was in
21 our shareholders' interest to give them the ability to
22 participate.

23 MR. LANCE: We also recognize, Jim, you know, the
24 market values pure-play technology companies in a

1 little different way than a defense company, and this
2 is a way to realize some of that value for Harris
3 shareholders as well.

4 MR. MCILREE: Thank you.

5 MR. KISSNER: Thanks.

6 OPERATOR: Next we'll take Frank Marsala with
7 West Albany Capital.

8 MR. MARSALA: Oh, yes, I'm sorry. My questions
9 have been answered. Thank you.

10 MR. LANCE: Thanks, Frank.

11 OPERATOR: Thank you. We'll move to Larry Harris
12 with Oppenheimer.

13 MR. HARRIS: Yes, thank you. It sounds like an
14 interesting transaction. I was wondering, you know,
15 over the longer term, and obviously you have to get
16 this transaction approved and operationally off the
17 board, but with 600 million in revenue base do you
18 over time see expanding the product line either in
19 terms of maybe going back to the OEMs interested in
20 buying some of their microwave operations or moving
21 into adjacent areas in wireless infrastructure, not
22 immediately, but over the longer term?

23 MR. LANCE: Larry, I certainly think that Guy and
24 Tom and their management team are going to have lots

1 of potential opportunities that they could have
 2 pursued independently, but I think together they get
 3 to pursue those more quickly. They have a stronger
 4 financial foundation to build on. And whether it's
 5 acquisitions or additional strategic partnerships or
 6 moving into adjacent markets, I think all of those are
 7 going to be available to this new company.

8 And that's, I think, part of the excitement that
 9 Chuck and I have, is again the foundation of both
 10 companies really being on technology and innovation,
 11 and together they're going to be in a much better
 12 position to pursue those innovations going forward.

13 MR. HARRIS: All right. Well, thank you very
 14 much.

15 MS. PADGETT: Operator, to keep this within an
 16 hour, I think we'll just take one more question
 17 please.

18 OPERATOR: Thank you. And we'll move to Rob
 19 Ammann with R.K. Capital.

20 MR. AMMANN: Congratulations. Can you comment
 21 it sounds like you'll need a pretty full tax rate with
 22 the new entity what tax rate should we assume
 23 there?

24 MR. MCARTHUR: Well, who wants to take that one?

1 I mean, we believe a lot of works has to be done
2 but we believe that the tax rate once this company
3 gets up and running, and takes advantage of tax rates
4 and global jurisdictions to augment the U.S. tax rate,
5 we think it will be perhaps somewhere in the 30
6 percent rate. So for now, that's what we would
7 suggest using. Certainly from, let's say, fiscal year
8 08 going forward.

9 MR. KISSNER: But, Rob, I think one other point
10 on this tax rate is, if you use 35 percent, let's say,
11 let's assume it's a full tax rate, the financials are
12 still very compelling.

13 MR. AMMANN: That's good.

14 MR. KISSNER: So that almost doesn't really
15 matter at this point.

16 MR. AMMANN: Okay, great. Kind of a follow-up on
17 Jim's question. It does look like over 80 percent
18 plus of the cost synergies are coming out of the cost
19 of goods sold. And maybe if we could just talk about
20 the strategy for manufacturing looking out long term,
21 looking out, you know, two to three years in terms of
22 what percentage would be manufactured internally
23 versus outsourced.

24 MR. KISSNER: As I said earlier, I think that

1 level of planning and that level of detail really has
2 to be nailed down to the point where Guy and Tom can
3 talk about that at the time of closing or around that
4 time.

5 But clearly the trend is towards more
6 outsourcing. And I think that's what you should
7 expect from this company. Stratex has been way down
8 the road in terms of outsourcing in a rational way.
9 It doesn't mean everything has to be outsourced. Some
10 things are better outsourced, and some things are
11 better left inside the company. But whatever benefit
12 there can be from that, I'm sure is going to be
13 applied to the thinking of this company.

14 MR. AMMANN: Okay. And to understand the synergy
15 analysis, the 35 million, that would be realized in a
16 full year in the June '08 fiscal year?

17 MR. LANCE: Yes. That's the way we did that
18 calculation.

19 MR. KISSNER: It's not per quarter, Rob.

20 MR. AMMANN: No, understood. I just wanted to
21 make sure it wasn't an exit rate on the June '08
22 fiscal year.

23 MR. KISSNER: Okay.

24 MR. AMMANN: And then in terms of the accretion

1 guidance you gave, what amount of synergy is assumed
2 in that, you know, whatever the eight cent accretion
3 to Stratex in fiscal year '08?

4 MR. KISSNER: Well, for year '08 we have assumed
5 the 35 million. And we then did the analysis as if
6 Stratex were continuing to be a stand-alone company
7 with what the impact would be on their earnings. It's
8 a little bit of a bit's a calculation because as
9 we've discussed, there won't be that stand-alone
10 company. It will be the combined company. But that's
11 the way the analysis was done in order to try and
12 illustrate the magnitude of the accretion or
13 contribution to earnings that the Stratex shareholders
14 should look forward to seeing in the go-forward
15 company.

16 MR. AMMANN: Okay. But that accretion is for
17 fiscal oh that was a fiscal '08 number, okay. I
18 was thinking

19 MR. KISSNER: Right, put

20 MR. AMMANN: slightly accretive in '07, okay.

21 MR. KISSNER: Yes, sir. So it's on a common
22 basis. Because we'll be consolidating that, Harris
23 Stratex Networks will be on the moving to a June 30
24 fiscal year to coincide with Harris.

1 MR. AMMANN: Understood. I think I just had my
2 fiscal years mixed up. And what's the manufacturing
3 utilization in the Texas facility for Harris?

4 MR. KISSNER: In terms of percent capacity, I
5 don't know that I can comment on that. Specifically
6 we have we consolidated our Canadian manufacturing
7 facility into that facility within the last year. We
8 have, though, begun outsourcing of some of our newer
9 access radio products. So we're not at hundred
10 percent capacity. We could do more manufacturing
11 there, but I don't know a specific number for you,
12 Rob.

13 MR. AMMANN: Okay, and last question. It looks
14 like I can (inaudible) into Harris's gross margin last
15 year at somewhere around 36 percent. What sort of
16 long-term guidance or color have you given with
17 respect to where margins for Harris microwave
18 business could have been on a stand-alone basis over
19 time?

20 MR. LANCE: We haven't given any specific gross
21 margin guidance that I recall, Rob. What we clearly
22 said is operating income, the first milestone was ten
23 percent return on sales. We've come close to that
24 during the last quarter, and that was our first

1 milestone. We always hoped that we could get to 15

2 percent return on sales beyond that. But we haven't

3 given any specific numbers on gross margin.

4 MR. AMMANN: Okay, congratulations.

5 MR. KISSNER: Thanks, Rob.

6 MR. LANCE: I want to thank everybody for their

7 interest in today's announcement, and we hope you're

8 excited about as excited about these prospects and

9 the opportunities as we are.

10 I just want to note that over the next several

11 days members of the combined management team for the

12 company will be meeting with investors in various

13 cities around the country. And we'll be starting with

14 New York on Thursday. And we look forward to seeing

15 many of you at that time.

16 Thanks very much for your interest and your

17 participation. Good day and good night.

18 OPERATOR: And that does conclude today's

19 conference call. We do thank you for your

20 participation.

21

22

23

24

Set forth below is the joint slide presentation used by Harris Corporation and Stratex Networks, Inc. in connection with the live joint conference call and webcast held beginning at 5:00 p.m. Eastern time on September 5, 2006:


