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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:

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

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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

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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

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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

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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

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1 industry leadership that this combination creates.  
2 Not only is there strong strategic rationale  
3 supporting the combination, but the financial  
4 rationale s 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

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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,

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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

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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

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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

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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.

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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

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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

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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 25.27 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

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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

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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

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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.

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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

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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

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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

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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

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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

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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

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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

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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.

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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

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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's 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.

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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

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1 are trying to achieve.

2 Right now we think it is 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

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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 "what-if" 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 year '07 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.

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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

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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 us 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.

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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:

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