Harris Stratex Networks, Inc.
Form 8-K
February 01, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K
CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934
Date of Report (date of earliest event reported): January 26, 2007
HARRIS STRATEX NETWORKS, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**001-33278**	**20-5961564**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

Research Triangle Park, 637 Davis Drive
Morrisville, North Carolina 27560
(Address of principal executive offices)
(919) 767-3250
(Registrant s telephone number, including area code)
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 2.01. Completion of Acquisition or Disposition of Assets.

As previously reported by Harris Stratex Networks, Inc. (the Company) in the proxy statement/prospectus forming a part of the Registration Statement on Form S-4, as amended (Registration No. 333-137980), which was declared effective by the Securities and Exchange Commission on January 5, 2007 (the S-4), the Company entered into a Formation, Contribution and Merger Agreement among Harris Corporation (Harris), Stratex Networks, Inc. (Stratex), Stratex Merger Corp. (Merger Corp.) and the Company dated September 5, 2006, which agreement was amended and restated on December 18, 2006 (the Combination Agreement). The Combination Agreement was amended by the letter agreement on January 26, 2007. On January 26, 2007, pursuant to the Combination Agreement, Merger Corp., a wholly owned subsidiary of the Company, merged with and into Stratex with Stratex as the surviving corporation, and concurrently with the merger of Stratex and Merger Corp., Harris contributed its Microwave Communications Division (MCD), including $32.1 million in cash, to the Company.

Pursuant to the merger, each share of Stratex common stock has been converted into one-fourth of a share of the Company s Class A common stock. As a result of the transaction, approximately 24,733,114 shares of the Company s Class A common stock were issued to the former holders of Stratex common stock.

The sale of the Company s Class A common stock to the former holders of Stratex common stock was registered under the Securities Act of 1933, as amended (the Securities Act), pursuant to the S-4. Shares of the Company s Class A common stock are listed on the NASDAQ Global Market under the ticker symbol HSTX and commenced trading on January 29, 2007.

On January 26, 2007, pursuant to the Combination Agreement the Company entered into the following material contracts:

Investor Agreement between the Company and Harris (see Exhibit 10.1 to this report)

Non-Competition Agreement among the Company, Harris and Stratex (see Exhibit 10.2 to this report)

Registration Rights Agreement between the Company and Harris (see Exhibit 10.3 to this report)

Intellectual Property Agreement between the Company and Harris (see Exhibit 10.4 to this report)

Trademark and Trade Name License Agreement between the Company and Harris (see Exhibit 10.5 to this report)

Lease Agreement between the Company and Harris (for office space) (see Exhibit 10.6 to this report)

Transition Services Agreement between the Company and Harris (see Exhibit 10.7 to this report)

Warrant Assumption Agreement between the Company and Stratex (see Exhibit 10.8 to this report)

NetBoss Service Agreement between the Company and Harris (see Exhibit 10.9 to this report)

Lease Agreement between the Harris Stratex Networks Canada ULC and Harris Canada, Inc. (for equipment and machinery) (see Exhibit 10.10 to this report)

Tax Sharing Agreement between the Company and Harris (see Exhibit 10.11 to this report).

The proxy statement/prospectus included in the S-4 contains information about the combination of Stratex and MCD pursuant to the Combination Agreement and the intended structure and operation of the Company. The proxy statement/prospectus also includes summaries and descriptions of the material contracts listed above, which disclosure is incorporated by reference in response to this item.

Item 2.05. Costs Associated with Exit or Disposal Activities.

In order to improve operating efficiencies and to create synergies through the consolidation of facilities, the management of the Company determined on January 29, 2007, to restructure its Montreal operations and began notifying approximately 200 employees that their employment will be terminated between April 1, 2007 and September 30, 2007 in the initial phase of the restructuring plan.

The Company currently anticipates incurring expenditures ranging from $8.5 to $9.5 million in connection with this restructuring plan, consisting primarily of employee severance costs, benefits, and outplacement assistance. At present, the Company is unable to determine whether there will be additional costs associated with this restructuring

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plan or to estimate the amount and type of additional costs. If the Company determines that there will be such additional costs and makes a determination of the type and estimate of the costs, the Company will file an amended report on Form 8-K to disclose its determination.

Item 3.02. Unregistered Sales of Equity Securities.

Pursuant to the Combination Agreement, on January 26, 2007, Harris contributed the assets of MCD, including $32.1 million in cash, and, in exchange the Company assumed certain liabilities of Harris related to MCD and issued 32,850,965 shares of the Company s Class B common stock to Harris. The offer and sale of the Class B common stock was exempt from the registration requirements under the Securities Act pursuant to Section 4(2) of the Securities Act.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Election of Directors

On January 26, 2007, the following individuals became directors of the Company upon filing the amended and restated certificate of incorporation described in Item 5.03 below:

Directors:		Committees:
Class A Directors:		
	William A. Hasler	Governance (Chair), Audit, Nominating
	Clifford H. Higgerson	Compensation, Nominating
	Charles D. Kissner	Governance, Nominating
	Edward F. Thompson	Audit (Chair), Nominating
Class B Directors:		
	Guy M. Campbell (continuing director)	
	Eric C. Evans	Audit
	Howard L. Lance (continuing director)	Governance
	Dr. Mohsen Sohi	Compensation
	Dr. James C. Stoffel	Compensation (Chair)

The terms applicable to the appointment and election of directors as provided in the Company s Restated Certificate of Incorporation and the Investor Agreement between the Company and Harris, as well as the applicability of corporate governance requirements under NASDAQ rules and the Company s compliance therewith, have been disclosed in the proxy statement/prospectus included in the S-4, which disclosure is incorporated by reference in response to this item. Biographical and other information about each director and descriptions of certain transactions and relationships between any such director and the Company are disclosed in the proxy statement/prospectus included in the S-4, which disclosure is incorporated by reference in response to this item.

Director Compensation

The Company s board of directors has approved the following schedule of fees payable to non-executive directors and committee chairs:

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Annual retainer	$30,000
Meeting fees:	
In-person board meetings	$ 3,000
Telephonic meetings	$ 1,500
In-person committee meetings	$ 2,000
Telephonic committee meetings	$ 1,000
Chair annual retainers:	
Audit Committee	$10,000
Corporation Committee	$ 8,000
Governance Committee	$ 5,000
Chairman of the Board of Directors	$10,000

The retainer fees are payable quarterly. The Company will reimburse the directors reasonable travel expenses to board meetings, including expenses such as supplies, and the education costs, including travel for one course per year.

Each director will receive an initial grant of restricted shares with a value of $90,000 upon commencement of the director s service, and an annual grant of restricted shares with a value of $60,000 for each year of service on the board of directors.

The shares will vest at a rate of 25% per quarter over the year following the date of grant. In addition, a director may elect to receive the annual retainer fee in the form of shares of restricted stock. All shares will be issued under the Company s 2007 Stock Equity Plan pursuant to a form of agreement approved by the compensation committee of the Company s board of directors but have not been granted yet.

Mr. Campbell, the Company s President and Chief Executive Officer, and Mr. Lance, the Chairman of the Board, President and Chief Executive Officer of Harris, are not eligible for equity awards and will not be paid directors fees.

Appointment of Principal Officers

On January 26, 2007, the board of directors of the Company appointed the following individuals to serve in the positions set forth opposite their respective names below:

President and Chief Executive Officer	Guy M. Campbell
Chief Operating Officer	Thomas H. Waechter
Chief Financial Officer	Sarah A. Dudash
Corporate Controller (Principal Accounting Officer)	Robert W. Kamenski

Biographical and other information about each of such officers and descriptions of certain transactions and between any such officer and the Company are disclosed in the proxy statement/prospectus included in the S-4, which disclosure is incorporated by reference in response to this item.

Compensation Plans, Contracts and Arrangements with Covered Officers

In connection with the completion of the transactions contemplated by the Combination Agreement and the appointment of new directors and officers named above the board of directors of the Company approved the following compensation plans, contracts and arrangements:

Charles D. Kissner

The Company and Stratex entered into a Non-Competition Agreement dated as of January 26, 2007 with Charles D. Kissner, Stratex s former Chairman of the Board of Directors under which Mr. Kissner agreed not to compete with the business conducted by Stratex for one year commencing on the later of the date of termination of his

employment with Stratex and the closing date under the Combination Agreement, the Company agreed to pay Mr. Kissner $330,000 in two equal installments six and 12 months after the commencement of the non-competition period, and Stratex and Mr. Kissner amended his employment agreement dated May 14, 2002 to eliminate the obligation to pay him the target bonus otherwise due upon a change of control of Stratex. The severance payments provided under Mr. Kissner s employment agreement with Stratex and related matters are described in the proxy statement/prospectus, included in the S-4, which disclosure is incorporated by reference in response to this item.

Guy M. Campbell

The Company entered into an at will employment agreement dated as of January 26, 2007 with Guy M. Campbell. The terms of Mr. Campbell s compensation are set forth in the table below under the caption Executive Compensation Packages.

Under the terms of his employment agreement, if Mr. Campbell s employment is terminated without cause, or he is prevented from performing his duties as CEO and President of the Company due to a disability for more than six consecutive months and his employment is terminated, or he resigns for good reason (other than for good reason following a change of control) he will receive benefits as described below:

- severance payments at his final base salary (offset by any disability income payments) for a period of 30 months following his termination; such payments will be subject to applicable withholding and made in accordance with the Company s normal payroll practices;

- payment of premiums necessary to continue his group health insurance under COBRA or to purchase other comparable health insurance coverage on an individual or group basis when he is no longer eligible for COBRA coverage until the earlier of (1) the date on which he reaches the age of 65 or (2) the date on which he first becomes eligible to participate in another employer s group health insurance;

- if he is terminated without cause the Company will pay the prorated portion of any incentive bonus that he would have earned during the incentive bonus year in which his employment was terminated;

- the right to purchase all vested shares of the Company s common stock subject to outstanding options granted to him until the earlier of (1) 30 months and (2) the date on which the applicable option(s) expire; and

- outplacement assistance selected and paid for by the Company.

The employment agreement also provides that within 18 months following the completion of a change of control (as defined in the employment agreement) if Mr. Campbell s employment terminates without cause, or Mr. Campbell resigns for good reason following a change of control, the benefits provided in the employment agreement will vest upon his termination or resignation, and he will be entitled to receive the same severance benefits from the Company listed above, except:

- he will receive severance payments at his final base salary (offset by any disability income payments) for a period of 42 months following his termination;

- the Company will accelerate the vesting of all unvested stock options as of the date of his termination;

- the right to purchase all vested shares of the Company s common stock subject to outstanding options will be granted to him until the earlier of (1) 42 months and, (2) the date on which the applicable option(s) expire; and

- he will receive a payment equal to the greater of (1) the average of the annual incentive bonus payments received, if any, for the previous three years, or (2) the target incentive bonus for the year in which his employment terminates.

The employment agreement also contains an agreement that Mr. Campbell will not compete with the Company s business for 18 months following termination of his employment.

For purposes of Mr. Campbell s employment agreement, the following terms are defined as follows:

Cause means:

theft, dishonesty, misconduct or falsification of any employment or Company records;

- improper disclosure of the Company s confidential or proprietary information;
- action which has a material detrimental effect on the Company s reputation or business;
- refusal or inability to perform any assigned duties (other than as a result of a disability) after written notice; or
- conviction (including any plea of guilty or no contest) for any criminal act that impairs his ability to perform his duties.

Good reason means any of the following conditions:

- a reduction in his base salary of 20% or more, other than a reduction that is similarly applicable to a majority of the members of the Company s executive staff;
- a material reduction in his employee benefits, other than a reduction that is similarly applicable to a majority of the members of the Company s executive staff;
- a material reduction in his responsibilities or authority without his written consent;
- a material breach by the Company of any material provision of the employment agreement; or
- the relocation of his main workplace without his concurrence to a location that is more than 75 miles from the Company s current facility in Morrisville, North Carolina; or any other acts or omissions by the Company that constitute constructive discharge under federal or North Carolina law.

Good reason following a change of control means any of the following conditions:

- a material and adverse change in position, duties or responsibilities for the Company;
- a reduction in base salary as measured against his base salary immediately prior to the change of control;
- a material reduction in employee benefits, other than a reduction that is similarly applicable to a majority of the members of the Company s executive staff; or
- the relocation of the Company s workplace to a location that is more than 75 miles from the Company s current facility in Morrisville, North Carolina.

The foregoing description of the employment agreement is not complete and is qualified in its entirety by reference to the employment agreement, which is included as Exhibit 10.14 to this report.

Thomas H. Waechter

Mr. Waechter s employment by the Company is subject to the terms of his existing employment agreement with Stratex, but his current compensation is as set forth in the table below. Under Mr. Waechter s existing employment agreement with Stratex in the event his employment is terminated by the Company without cause or if he resigns for good reason, other than upon a change of control, he will be entitled, upon satisfaction of certain conditions to the following benefits:

- severance payments at his final base salary rate for a period of 18 months following his termination; such payments will be subject to applicable withholding and made in accordance with the Company