

HARRIS CORP /DE/  
Form DEF 14A  
September 13, 2002

**SCHEDULE 14A  
(RULE 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES**

**EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-11c or Section 240.14a-12

**HARRIS CORPORATION**

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(Name of Registrant as Specified In Its Charter)

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- No fee required.
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**HARRIS CORPORATION**

1025 West NASA Boulevard  
Melbourne, Florida 32919

September 13, 2002

Dear Fellow Shareholder:

You are cordially invited to attend the 2002 Annual Meeting of Shareholders of Harris Corporation. The meeting will be held at Harris Corporation's Customer Briefing Center located at 1025 West NASA Boulevard in Melbourne, Florida, on Friday, October 25, 2002, starting at 10:00 a.m., local time.

The accompanying notice of the meeting and the proxy statement cover the formal business of the meeting, which includes:

- (1) the election of three directors for a three-year term expiring in 2005; and
- (2) the ratification of the appointment of independent auditors for fiscal year 2003.

Your Board of Directors unanimously believes that the election of its nominees for directors and the ratification of its selection of independent auditors are in the best interests of Harris and its stockholders and, accordingly, recommends a vote FOR the election of the nominees for directors and FOR the ratification of Ernst & Young LLP as

Harris independent auditors for fiscal year 2003.

These matters are discussed in greater detail in the accompanying proxy statement.

Following the business session, I will report on current operations and on our future plans. After these reports, there will be an open discussion period during which your questions and comments will be welcome.

During the past year, corporate governance continued to be an important focus for Harris. Our key corporate governance principles are summarized in the proxy statement. In addition, the report of our Audit Committee outlines the manner in which the Audit Committee undertakes its oversight function.

The attendance of shareholders at our annual meetings has been helpful in maintaining communication and understanding. We hope you will be able to join us. Whether or not you plan to attend it is important that your shares be represented and voted at the meeting. You can ensure your shares are represented at the meeting by voting via telephone or the Internet or by promptly completing, signing, dating and returning your proxy card in the enclosed envelope. Instructions for these convenient ways to vote are set forth on the enclosed voting instruction card.

Cordially,

Phillip W. Farmer  
*Chairman, President and  
Chief Executive Officer*

**YOUR VOTE IS IMPORTANT.  
PLEASE VOTE BY TELEPHONE OR THE INTERNET  
OR SIGN, DATE AND RETURN YOUR PROXY CARD.**

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## HARRIS CORPORATION

1025 West NASA Boulevard  
Melbourne, Florida 32919

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### Notice of 2002 Annual Meeting of Shareholders to be held October 25, 2002

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TO THE HOLDERS OF COMMON STOCK  
OF HARRIS CORPORATION:

The 2002 Annual Meeting of Shareholders of Harris Corporation will be held at Harris Corporation's Customer Briefing Center located at 1025 West NASA Boulevard, Melbourne, Florida, on Friday, October 25, 2002, at 10:00 a.m., local time, for the following purposes:

1. to elect three directors for a three-year term expiring in 2005;
2. to ratify the selection of Ernst & Young LLP as the Corporation's independent auditors for fiscal year 2003; and
3. to transact such other business as may properly come before the Annual Meeting or any adjournments thereof.

Only holders of common stock of record at the close of business on August 30, 2002, will be entitled to vote at the meeting and all adjournments thereof.

Your Board of Directors urges shareholders to vote **FOR** items 1 and 2.

**By Order of the Board of Directors**

Richard L. Ballantyne

*Corporate Secretary*

Melbourne, Florida  
September 13, 2002

#### IMPORTANT NOTICE

**Your vote is important. If you do not expect to attend the Annual Meeting of Shareholders or if you plan to attend but wish to vote by proxy, please vote electronically via the Internet or by telephone or by completing, dating, signing and mailing promptly the enclosed proxy card for which a return envelope is provided.**

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# HARRIS CORPORATION

## 2002 ANNUAL MEETING OF SHAREHOLDERS

### PROXY STATEMENT

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## HARRIS CORPORATION

1025 West NASA Boulevard  
Melbourne, Florida 32919

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Proxy Statement  
Annual Meeting of Shareholders  
to be held October 25, 2002

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### GENERAL INFORMATION ABOUT THE MEETING

#### Why are you receiving this

#### proxy statement?

We are furnishing this proxy statement to you in connection with the solicitation of proxies by the Board of Directors of Harris Corporation for use at the 2002 Annual Meeting of Shareholders to be held on October 25, 2002, and at any adjournments thereof.

On September 13, 2002, we commenced mailing to our shareholders: (1) this proxy statement, (2) the accompanying proxy card and instructions, (3) a copy of our 2002 Annual Report to Shareholders, and (4) our Annual Report on Form 10-K for the fiscal year ended June 28, 2002.

#### *What is a proxy?*

A proxy is your legal designation of another person to vote the shares you own. That other person is called a proxy. If you designate someone as your proxy in a written document, that document is also called a proxy or a proxy card.

#### *What is a proxy statement?*

This document is a proxy statement. It is a document that we are required by law to give you when we ask you to name a proxy to vote your shares.

We encourage you to read this proxy statement carefully. In addition, you may obtain information about Harris from the other documents delivered with this proxy statement.

#### What is the purpose of the meeting?

The purpose of the 2002 Annual Meeting of Shareholders is to obtain shareholder action on the matters outlined in the notice of meeting included with this proxy statement. These matters include the election of three directors and the ratification of the selection of Ernst & Young LLP as our independent auditors for fiscal year 2003. This proxy statement provides you with detailed information about each of these matters.

#### What is a record date and

#### what does it mean?

The record date for the shareholders entitled to vote at the Annual Meeting is August 30, 2002. The record date is established by the Board as required by Delaware law. Owners of record at the close of business on the record date are entitled to receive notice of the Annual Meeting and to vote at the Annual Meeting or any adjournments thereof.

#### How many shares can be voted and

#### what is a quorum?



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You are entitled to one vote for each share of Harris common stock that you own as of the close of business on August 30, 2002.

Only our common stock has voting rights. On the record date, there were 66,384,326 shares outstanding and approximately 8,750 holders of record.

A quorum is the minimum number of shares that must be present in person or by proxy in order for us to conduct the Annual Meeting.

The attendance by proxy or in person of holders of a majority of the shares entitled to vote at the Annual Meeting will constitute a quorum to hold the Annual Meeting.

### **What different methods can you**

### **use to vote?**

You have a choice of voting by:

Telephone;

Internet;

Mail; or

In person at the Annual Meeting.

The telephone and Internet procedures use a control number to verify your identity and to allow you to vote your shares. The procedures also enable you to confirm that your instructions have been properly recorded or followed.

Even if you plan to attend the Annual Meeting, you can vote by telephone, Internet or mail.

Please carefully read the instructions below on how to vote your shares. Because the instructions vary depending on how you hold your shares and the method you decide to use to vote, it is important that you follow the instructions that apply to your particular situation.

**If you vote by Internet or telephone, you should not return your proxy card.**

**What is the difference between**

**a record owner and an owner  
holding shares in street name ?**

If your shares are registered in your name, you are a record holder. If your shares are in the name of your broker or bank or other nominee, your shares are held in street name.

**How do you vote if your shares are**

**held in your name?**

*Voting by telephone*

Voting by telephone is simple and fast. Call the 800 number on your proxy card and voting instruction form and listen for further directions. In order to respond to the questions, you must have a touch-tone phone and the control number, which is located in the gray shaded box on the bottom right side of your proxy card and voting instruction form. When prompted, you must enter your control number. This vote will be counted immediately, and there is no need to send in your proxy card.

*Voting by Internet*

Voting on the Internet is also easy and fast. Read your proxy card and voting instruction form and follow the directions. You will need to have and enter your control number. This vote will be counted immediately, and there is no need to send in your proxy card.

*Voting by mail*

If you are a shareholder of record, you can save Harris expense by voting by telephone or on the Internet. Alternatively, you can vote by mail by completing, signing, dating and mailing the enclosed proxy card.

*Voting in person at the meeting*

If you plan to attend the Annual Meeting, you can vote in person. In order to vote in person at the Annual Meeting, you will need to bring proper identification and evidence of your share ownership with you to the Annual Meeting.

*Revoking your proxy*

As long as your shares are registered in your name, you may revoke your proxy at any time before it is exercised. There are several ways you can do this:

By filing a written notice of revocation with our Corporate Secretary;

By duly signing and delivering a proxy that bears a later date;

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By subsequently voting by telephone or Internet as described above; or

By attending the Annual Meeting and voting in person.

**How do you vote if your shares are  
held in street name ?**

*Voting by mail, telephone or Internet*

If your shares are registered in the name of your broker or nominee, you should vote your shares using the method directed by that broker or other nominee. A large number of banks and brokerage firms are participating in the ADP Investor Communication Series online program. This program provides eligible street name shareholders the opportunity to vote via the Internet or by telephone. Voting forms will provide instructions for shareholders whose banks or brokerage firms are participating in ADP's program.

*Voting in person at the meeting*

If you plan to attend the Annual Meeting and to vote in person, you should contact your broker or nominee to obtain a broker's proxy card and bring it, together with proper identification and

your account statement or other evidence of your share ownership, with you to the Annual Meeting.

*Revoking your proxy*

If your shares are held in street name, you must contact your broker or nominee to revoke your proxy.

**What are your voting choices and  
what is the required vote?**

By giving us your proxy, you authorize Harris management to vote your shares at the Annual Meeting or any adjournments thereof in the manner you indicate.

*Proposal 1: Election of Directors*

With respect to the election of nominees for director, you may:

Vote for the election of all three of the nominees for director named in this proxy statement;

Withhold authority to vote for all three of the nominees; or

Withhold authority to vote for one or more of the nominees and vote for the remaining nominee or nominees.

If a quorum is present at the Annual Meeting, the three nominees receiving the greatest number of votes will be elected to serve as directors. Because of this, non-voted shares and shares whose votes are withheld will not affect the outcome of the election for directors; and, withholding authority to vote for a particular nominee will not prevent that nominee from being elected. Shareholders may not vote for more than three nominees.

*Proposal 2: Ratification of Auditors*

With respect to the proposal to ratify the appointment of Ernst & Young LLP as our independent auditors for fiscal year 2003, you may:

Vote for ratification;

Vote against ratification; or

Abstain from voting on the proposal.

If a quorum is present at the Annual Meeting, the affirmative vote of a majority of the shares represented at the Annual Meeting and entitled to vote on this proposal will be required to ratify the appointment of independent auditors. Because of this, a vote to abstain from voting on this matter will have the effect of a vote against ratification of the independent auditors.

**How do you vote shares held in  
the Harris 401(k) Retirement Plan?**

If you are a participant in Harris 401(k) Retirement Plan, the proxy and instruction card sent to you also will serve as the non-binding voting instruction card to the trustee of the plan for all shares of our common stock you own through the plan.

**What happens if you return an  
unmarked proxy card?**

If you return your proxy card with no votes marked, your shares will be voted as follows:

**FOR** the election of the three nominees for director named in this proxy statement; and

**FOR** the ratification of the appointment of Ernst & Young LLP as our independent auditors for fiscal year 2003.

**How are broker non-votes counted?**

It is possible for a proxy to indicate that some of the shares represented are not being voted with respect to certain proposals. This occurs, for example, when a broker is not permitted to vote on a matter without instructions from the beneficial owner of the shares. In these cases, non-voted shares will not be considered present and entitled to vote with respect to that matter, although they may be considered present and entitled to vote for other purposes and will be counted in determining the presence of a quorum. Accordingly, if a quorum is present at the meeting, non-voted shares as to a particular proposal will not affect the outcome of that proposal.

**What does it mean if you receive more  
than one proxy card?**

If you receive more than one proxy card, it means you have multiple accounts with brokers and/or our transfer agent. Please vote all of these shares. We recommend that you contact your broker and/or our transfer agent to consolidate as many accounts as possible under the same name and address. Our transfer agent is Mellon Shareholder Services, LLC, which may be reached by telephone at 1-888-261-6777 or by Internet at [www.melloninvestor.com](http://www.melloninvestor.com).

**Who pays for the solicitation of proxies?**

We actively solicit proxy participation. We will bear the cost of soliciting proxies, including the preparation, assembly, printing and mailing. In addition to this notice by mail, we request and encourage brokers, custodians, nominees and others to supply proxy materials to shareholders, and we will reimburse them for their expenses. Our officers and employees may, by letter, telephone, electronic mail, or in person, make additional requests for the return of proxies, although we do not reimburse our own employees for soliciting proxies. We have also hired Georgeson Shareholder Communications Inc. for a fee of \$7,500 plus out-of-pocket expenses to help solicit proxies.

**Where can you find the voting results**

**of the Annual Meeting?**

We intend to announce the preliminary voting results at the Annual Meeting and publish final results in our quarterly report on Form 10-Q for the second quarter of fiscal 2003.

**PROPOSAL 1: ELECTION OF DIRECTORS TERM EXPIRING IN 2005**

Our business, property and affairs are managed under the direction of our Board of Directors. Members of the Board are kept informed of our business through discussions with the chairman and officers, by reviewing materials provided to them or requested by them, and by participating in meetings of the Board and its committees.

Our Restated Certificate of Incorporation classifies our Board of Directors into three classes with three-year terms of office ending in different years. This year, the terms of Lewis Hay III, Karen Katen and Stephen P. Kaufman expire at the Annual Meeting. Based upon the recommendation of the Corporate Governance Committee, Lewis Hay III, Karen Katen and Stephen P. Kaufman each have been nominated by the Board for a new three-year term expiring at the Annual Meeting of Shareholders in 2005. In accordance with our Restated Certificate of Incorporation, a director shall hold office until the Annual Meeting of Shareholders for the year in which that director's term expires, and until that director's successor shall be elected and shall qualify, subject, however, to his or her prior death, resignation, retirement, disqualification or removal from office. Vacancies may be filled by the remaining directors.

The authorized number of directors is presently fixed at ten. From time to time, the Board considers potential candidates, and as an appropriate candidate is identified, the Board will consider increasing the authorized number of directors. The terms of the continuing directors will expire at subsequent Annual Meetings of Shareholders.

Proxies will be voted in favor of electing Ms. Katen and Messrs. Hay and Kaufman to serve for the three-year term expiring in 2005, unless otherwise specified in the proxy card or Internet or telephone voting instructions. Each of the nominees has consented to stand for election. If any nominee becomes unavailable for election, proxies voting for that nominee may be voted for a substitute nominee selected by the Board.

None of the directors, including each of the nominees, is related to any other nominee or director, or to any executive officer of Harris or its subsidiaries, by blood, marriage or adoption.

Biographical summaries of the nominees and of the continuing directors appear on subsequent pages, and data with respect to the number of shares of our common stock beneficially owned by them as of July 12, 2002, is set forth in the table on page 14.

**NOMINEES FOR ELECTION TERM EXPIRING IN 2005**

**Lewis Hay III**, 46, is chairman, president and chief executive officer of FPL Group, Inc. He joined FPL Group in 1999 as chief financial officer and was promoted to president of FPL Energy the following year. He was named president and chief executive officer of FPL Group in June 2000, and he was named chairman in January 2002. Prior to joining FPL, he served as the chief financial officer for U.S. Foodservice from 1991 to 1999.

Previously, he was a partner with Strategic Planning Associates (now Mercer Management Consulting) where, among other things, he led the firm's U.S. telecommunications practice.

Mr. Hay was elected to our Board of Directors in February 2002 and is a member of the Business Conduct Committee and the Corporate Governance Committee.

**Karen Katen**, 53, is corporate executive vice president, Pfizer Inc. and president of the global Pfizer Pharmaceuticals Group. Ms. Katen joined Pfizer in 1974, following receipt of BA and MBA degrees from the University of Chicago.

Ms. Katen was elected to our Board of Directors in 1994 and is chairperson of the Business Conduct Committee and a member of the Corporate Governance Committee and the Management Development and Compensation Committee.

Ms. Katen is also a director of General Motors and the International Council of J.P. Morgan Chase & Co. She is a member of the Pharmaceutical Research and Manufacturers Association of America, the National Pharmaceutical Council, the National Alliance for Hispanic Health, and the American Bureau for Medical Advancement in China. Ms. Katen is also on the national board of trustees for the American Cancer Society Research Foundation and is trustee for the University of Chicago and is also a council member of the Graduate School of Business at the University of Chicago.

**Stephen P. Kaufman**, 60, is president, chief executive officer and a director of Arrow Electronics, Inc., a distributor of semiconductors, peripherals, and components. He became president and chief operating officer of Arrow in 1985, chief executive officer in 1986, and chairman in 1994. He retired as chief executive officer in June 2000 and reassumed that position in June 2002. In January 2001 Mr. Kaufman was appointed a senior lecturer at the Harvard Business School. Prior to joining Arrow, he served in executive capacities with Midland-Ross Corporation.

Mr. Kaufman was elected to our Board of Directors in December 1999, and is a member of the Business Conduct Committee, the Corporate Governance Committee, the Executive and Finance Committee and the Management Development and Compensation Committee.

**Recommendation Regarding Proposal 1**

**Our Board of Directors recommends that you vote FOR each of the nominees.**

**CURRENT DIRECTORS NOT UP FOR ELECTION**

Biographical summaries of our current directors whose terms continue to run until 2003 or 2004 appear below.

**Term Expiring in 2003**

**Ralph D. DeNunzio**, 70, is former chairman of the board and chief executive officer of the investment banking firm of Kidder, Peabody & Co. Incorporated. Following his retirement from Kidder, Peabody in 1987, he became president of Harbor Point Associates, Inc., a private investment and consulting firm in New York City. Mr. DeNunzio served as chairman of the Board of Governors of the New York Stock Exchange from 1971 to 1972 and as vice chairman from 1969 to 1971. He also served as chairman of the Securities Industry Association for the year 1981.

Mr. DeNunzio was elected to our Board of Directors in 1973 and is the chairperson of the Audit Committee and a member of the Business Conduct Committee, the Executive and Finance Committee and the Investment Committee for the Harris Corporation Retirement Plans.

Mr. DeNunzio is also a director of FedEx Corporation and NIKE, Inc.

**Joseph L. Dionne**, 69, is a retired chairman of the board and chief executive officer of The McGraw-Hill Companies, Inc., a publishing and information company. He joined McGraw-Hill as vice president of its book company in 1967, and after a series of management positions was elected president and chief operating officer in 1981, president and chief executive officer in 1983, and chairman of the board and chief executive officer in 1988. He retired as chief executive officer of McGraw-Hill in April 1998 and as chairman in December 1999.

Mr. Dionne was elected to our Board of Directors in 1989 and is the chairperson of the Management Development and Compensation Committee and a member of the Business Conduct Committee, the Corporate Governance Committee and the Executive and Finance Committee.

Mr. Dionne is also a director of AXA Financial Inc., The Equitable Life Assurance Society of the United States, and Ryder System, Inc.

Mr. Dionne is a member of the board of trustees of Hofstra University and Teachers College, Columbia University.

**David B. Rickard**, 55, is executive vice president, chief financial officer and chief administrative officer of CVS Corporation and CVS Pharmacy, Inc. He has held this position since joining CVS in September 1999. Prior to joining CVS, he was senior vice president and chief financial officer of RJR Nabisco Holdings Corporation from March 1997 to August 1999. Previously, he was executive vice president of International Distillers and Vintners Americas.

He is a graduate of Cornell University and the Harvard Business School.

Mr. Rickard was elected to our Board of Directors in October 2001 and is a member of the Audit Committee, the Business Conduct Committee and the Executive and Finance Committee.

**Gregory T. Swienton**, 52, is chairman, president and chief executive officer of Ryder System, Inc., a logistics and transportation services company. He joined Ryder in June 1999 as president and chief operating officer, was named chief executive officer in November 2000, and chairman in May 2002. Prior to joining Ryder, he was senior vice president-growth initiatives of Burlington Northern Santa Fe Corporation (BNSF). He held senior positions with BNSF and the former Burlington Northern Railroad from 1994 to 1999, and various executive and management positions with DHL Worldwide Express from 1982 to 1994.

Mr. Swienton was elected to our Board of Directors in February 2000 and is chairperson of the Investment Committee for the Harris Corporation Retirement Plans and a member of the Audit Committee, the Business Conduct



Committee and the Management Development and Compensation Committee.

In addition to being on the Ryder board, he is also on the Board of Trustees of St. Thomas University in Miami, Florida.

#### **Term Expiring in 2004**

**Phillip W. Farmer**, 64, is our chairman of the board, president and chief executive officer. He joined Harris in 1982 as vice president-general manager of the Government Support Systems Division and was named vice president-Palm Bay Operations, Electronic Systems Sector in 1986 and senior vice president-sector executive in 1988. He was elected president of the Electronic Systems Sector in 1989, executive vice president of Harris in 1991, president and chief operating officer in 1993, and chairman of the board, president and chief executive officer in 1995. Mr. Farmer served as president until July 1, 1999, and was reappointed as president in June 2000.

Mr. Farmer was elected to our Board of Directors in 1993 and is chairperson of the Executive and Finance Committee and a member of the Investment Committee for the Harris Corporation Retirement Plans.

Prior to his employment with Harris, Mr. Farmer held various management and technical positions with General Electric for twenty years. He is also a director of Vulcan Materials Company and serves on the board of governors of both the Aerospace Industries Association and the Manufacturers Alliance. He is also a trustee of the Florida Institute of Technology.

**Thomas A. Dattilo**, 51, is chairman, president and chief executive officer of Cooper Tire & Rubber Company, a manufacturer of tires and automotive products. He joined Cooper in January 1999 as president and chief operating officer and became chairman and chief executive officer in April 2000. Prior to joining Cooper, he held senior positions with Dana Corporation. His most recent position was president of Dana's sealing products group.

Mr. Dattilo was elected to our Board of Directors in August 2001 and is a member of the Audit Committee, the Business Conduct Committee and the Investment Committee for the Harris Corporation Retirement Plans.

In addition to being on the Cooper Tire & Rubber Company board, he is also a director of the Rubber Manufacturers Association and a member of the Board of Trustees of the Manufacturers Alliance.

**Alfred C. DeCrane, Jr.**, 71, is a retired chairman of the board and chief executive officer of Texaco Inc., a manufacturer of gasoline and other petroleum-based products. He joined Texaco in 1959, became president in 1983, and chairman of the board in 1987, and was elected to the additional position of chief executive officer in 1993. He retired from Texaco in July 1996.

Mr. DeCrane was elected to our Board of Directors in 1996 and is the chairperson of the Corporate Governance Committee and a member of the Audit Committee and the Business Conduct Committee.

Mr. DeCrane is also a director of Corn Products International, Inc. and U.S. Global Leaders Growth Fund, Ltd., and is a member of the Morgan Stanley European Advisory Board. He also serves as co-chairman of the U.S.-Saudi Arabian Business Council.

## THE BOARD'S COMMITTEES AND THEIR FUNCTIONS

### Meetings and Attendance

In fiscal 2002, our Board of Directors held six meetings, and the standing committees of our Board met a total of 22 times. Each director attended at least 75% of the meetings of the Board and of those committees of which he or she was a member. All of the directors attended an average of 98% of such meetings of the Board and committees on which they serve.

### Committees

Our Board has established six standing committees to assist in the discharge of its responsibilities. The principal functions of each committee are described below.

#### Audit Committee

The Audit Committee assists the Board in fulfilling its responsibilities to, among other things:

Oversee our accounting and financial reporting principles and policies and internal controls and procedures;

Oversee our financial statements and the audit by our independent auditors; and

Select our independent auditors and evaluate their independence.

The Audit Committee is comprised solely of non-employee, independent members of the Board of Directors who are qualified for service under New York Stock Exchange standards.

The Committee meets periodically with our independent auditors, management representatives and our internal auditors, as appropriate, to review the scope and results of the annual audit of our financial statements and the recommendations of the independent auditors. The functions of the Audit Committee, which are set forth in the Audit Committee Charter adopted by the Board of Directors and which was included in our 2001 proxy statement, include the following:

Selecting, evaluating, or replacing our independent auditors;

Ensuring the independence of the independent and internal auditors;

Reviewing, with management and auditors, our overall financial, information systems and operating controls;

Evaluating the professional competency of our financial staff and internal auditors;

Reviewing the scope of our internal audit program;

Reviewing the nature and extent of non-audit professional services performed by the independent auditors;

Reviewing and discussing with the independent auditors and management the scope of the annual audit and the audited financial statements and related critical-accounting policies, as well as any significant matters arising from any audit or other reports; and

Reviewing and discussing with the independent auditors and management quarterly and year-end operating results, reviewing interim financial statements prior to their inclusion in Form 10-Q filings and recommending to the Board of Directors the inclusion of the financial statements in our Annual Report on Form 10-K.

From time to time the Committee also undertakes special projects. These projects have included reviewing our various insurance coverages, our environmental policies and our various legal issues and major litigations.

The Committee held seven meetings during the past fiscal year.

**Management Development and**

**Compensation Committee**

The functions of the Management Development and Compensation Committee include the following:

Reviewing and evaluating plans for the compensation, development, succession, training and utilization of our management resources and recommending to the Board of Directors for its approval individuals for election as corporate officers;

Reviewing and recommending the use and the terms of severance agreements in the event of a change of control and any special arrangements in the event of termination, death or retirement of corporate officers (other than the chief executive officer and president);

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Reviewing and recommending adoption or termination of retirement and pension plans;

Reviewing our compensation philosophy and establishing the compensation, perquisites and other benefits of our officers and management, other than the chief executive officer and president, whose compensation is recommended by the Committee and approved by all our outside directors; and

Administering our stock incentive and stock-based compensation plans.

The Management Development and Compensation Committee is comprised solely of non-employee, independent members of the Board of Directors. The Committee held three meetings during the past fiscal year.

#### **Corporate Governance Committee**

The Corporate Governance Committee performs the following primary functions:

Identifying, evaluating, and recommending director nominees to the Board to fill vacancies and to be elected at an annual meeting of the shareholders;

Considering suggestions for director nominees from all sources, including shareholders (for the procedures to be followed by shareholders for nominating directors, see the discussion below under "Shareholder Proposals for the 2003 Annual Meeting");

Recommending director compensation and benefit plans to the Board;

Recommending committees of the Board and committee assignments, as well as tenure and other policies of the Board;

Reviewing the functions of committees of the Board of Directors and recommending changes as deemed appropriate;

Setting meeting schedules for the Board of Directors and recommending meeting schedules for the committees; and

Facilitating the Board's evaluation of the Board's effectiveness.

This Committee is also primarily responsible for development and implementation of our corporate governance principles, which are discussed in greater detail below.

The Corporate Governance Committee is comprised solely of non-employee, independent members of the Board of Directors. The Committee held three meetings during the past fiscal year.

#### **Executive and Finance Committee**

The Executive and Finance Committee is authorized to evaluate and review our financial position, capital structure, significant capital asset transactions, major acquisitions and divestitures, and, during the intervals between meetings of the Board of Directors, to the extent permitted by law, to exercise all of the powers of the Board (except for certain reserved matters) in the management of our business. The Committee also reviews our dividend policies and makes recommendations to the Board for any changes in such policies.

The Committee held three meetings during the past fiscal year.

#### **Investment Committee for the Harris Corporation Retirement Plans**

The Investment Committee for the Harris Corporation Retirement Plans assists the Board by overseeing the financial administration of our various major retirement and pension plans, including the selection and review of the investment funds and their performance and the independent investment advisors for the plans.

The Committee held four meetings during the past fiscal year.

**Business Conduct Committee**

The Business Conduct Committee reviews and oversees our continuing program relating to standards and controls within Harris for compliance with our standards of business conduct, sound business practices, and legal requirements in connection with our business.

The Committee held two meetings during the past fiscal year.

**COMMITTEE MEMBERSHIP**

The current committee members for each of our six standing committees of the Board of Directors are set forth below, with the chairperson listed first:

<b>Audit</b>	<b>Business Conduct</b>	<b>Corporate Governance</b>
Ralph D. DeNunzio Thomas A. Dattilo Alfred C. DeCrane, Jr. David B. Rickard Gregory T. Swienton	Karen Katen Thomas A. Dattilo Alfred C. DeCrane, Jr. Ralph D. DeNunzio Joseph L. Dionne Lewis Hay III Stephen P. Kaufman David B. Rickard Gregory T. Swienton	Alfred C. DeCrane, Jr. Joseph L. Dionne Lewis Hay III Karen Katen Stephen P. Kaufman
<b>Executive and Finance</b>	<b>Investment Committee for the Harris Corporation Retirement Plans</b>	<b>Management Development and Compensation</b>
Phillip W. Farmer Ralph D. DeNunzio Joseph L. Dionne Stephen P. Kaufman David B. Rickard	Gregory T. Swienton Thomas A. Dattilo Ralph D. DeNunzio Phillip W. Farmer	Joseph L. Dionne Karen Katen Stephen P. Kaufman Gregory T. Swienton

**CORPORATE GOVERNANCE PRINCIPLES**

Our Board of Directors has adopted Corporate Governance Principles, and our Board’s Corporate Governance Committee is responsible for overseeing the Corporate Governance Principles and reporting and making recommendations to our Board of Directors concerning corporate governance matters. Among other matters, our corporate governance principles include the following:

Our Board is committed to having a substantial majority of independent, non-employee directors. Our Board also periodically reviews our directors’ independence to assure compliance with this commitment and with relevant SEC and NYSE requirements as to filling committee assignments with independent, non-employee directors.

We maintain a statement of standards of business conduct, which sets forth our commitment to quality and ethical behavior in every aspect of our business activity. These standards apply to our directors, officers and employees. Our Business Conduct Committee has oversight responsibility for these standards.

The Corporate Governance Committee is responsible for developing criteria for Board membership. When nominees are needed, the Corporate Governance Committee develops and reviews candidates, makes recommendations to the full Board, and oversees the process of selection and nomination.

The Corporate Governance Committee establishes criteria for evaluation of Board performance and effectiveness. These criteria focus on the Board’s areas of fiduciary responsibility and are prime reference points for our Board’s annual self-evaluation. Each Board committee also conducts an annual evaluation of the committee’s performance.

Directors will retire from the Board of Directors effective the end of the month in which they reach age 72.

Directors who change the primary job responsibility they had when last elected to our Board will automatically tender their resignation so that the Corporate Governance Committee and Board may determine, on a case-by-case basis, whether their Board membership would continue to



be free from conflict of interest and is otherwise appropriate.

The Board does not impose term limits as it has determined such limits could unnecessarily interfere with the continuity, diversity, developed experience and knowledge, and the long-term outlook the Board must have.

The independent, non-employee directors conduct a performance evaluation of the chief executive officer annually and may do so on a less formal basis from time to time during the year. The evaluation is used in making compensation decisions.

Board members have complete access to our management. It is expected that Board members will use judgment to be sure this contact is not distracting to our business operations. Additionally, the Board encourages the chief executive officer and management to, from time-to-time, have managers who can provide insight on relevant matters or who demonstrate future potential attend Board meetings.

The Board forms, fills and modifies the structure of our Board committees.

Board committee assignments and chairmanships are reviewed annually by the chairman and Corporate Governance Committee and rotated periodically, approximately every three to six years, consistent with our needs, the directors' interests and areas of expertise and regulatory requirements.

The Corporate Governance Committee reviews director compensation annually and makes recommendations to the Board for action.

The Board and management provide a comprehensive orientation process for new directors that includes background materials, meetings with the chief executive officer and senior management, and visits to some of our facilities.

Our Corporate Governance Principles, which were adopted in their present form in fiscal 2002, trace their history back to 1960 when our Board held several single-subject discussions relating to the responsibilities of directors. Following those meetings, in 1965 our Board adopted a written policy outlining the Responsibilities of Directors and a policy relating to Responsibilities and Administration of the Board of Directors, which have evolved and been revised over the past twenty years.

#### **DIRECTOR COMPENSATION AND BENEFITS**

Directors who are not employees of Harris receive the following fees for their services on the Board:

\$30,000 annual retainer fee for serving as a director;

\$1,500 annual retainer fee for each committee of which they are a member;

An additional \$3,000 annual retainer fee for each committee on which they serve as a committee chairperson;

\$1,200 for attendance at each Board meeting; and

\$800 for attendance at each committee meeting and for attendance at any other meeting devoted to our affairs.

We also reimburse each non-employee director for travel and out-of-pocket expenses incurred in connection with attendance at Board and committee meetings. In addition, we provide each non-employee director with travel, accident and disability insurance in the amount of up to \$200,000 in the event that he or she is involved in an accident while traveling on business relating to our affairs.

In addition to receiving reimbursement for tax preparation and estate planning services of up to \$5,000 per year, non-employee directors may also participate in our gift matching program available to all employees, where we match contributions to eligible educational institutions and charitable organizations up to an annual maximum of \$10,000 per director.

Employee directors are not compensated for their services as a director.



*Stock Options*

Under the Harris Corporation 2000 Stock Incentive Plan (the 2000 Stock Incentive Plan), which plan was approved by shareholders at the 2000 Annual Meeting, each non-employee director is automatically granted an option to purchase 2,000 shares of our common stock on the date of each Annual Meeting of Shareholders. Non-employee directors also receive an automatic grant to purchase 2,000 of our shares upon joining the Board. The options granted under the 2000 Stock Incentive Plan and its predecessor plan, the Harris Corporation Stock Incentive Plan (the 1990 Stock Incentive Plan), are non-qualified options for tax purposes, are priced at fair market value on the date of grant, and become exercisable as follows:

50% of the option shares become exercisable on the first anniversary of the date of grant; and

25% of the option shares become exercisable on each of the next two succeeding anniversary dates.

Notwithstanding the above, in the event of a change in control of Harris, any non-employee director's options outstanding for more than one year at that time immediately become exercisable in full. In the case of options previously granted under the 1990 Stock Incentive Plan, a director may exercise vested options for a period of three years following the date of retirement; and, a director's vested options may be exercised by his or her estate or representative for a period of twelve months following the date of death. In the case of options granted to directors under the 2000 Stock Incentive Plan, such options continue to vest and may be exercised following retirement. In addition, such options fully vest upon a director's death. In any event, all options granted to non-employee directors expire no more than ten years after the date of grant. Neither the Board nor any committee of the Board has any discretion with respect to options granted to non-employee directors.

*Deferred Compensation*

Under our previous Directors Retirement Plan, upon retirement or disability, a non-employee director with five or more years of service would receive an annual cash retirement benefit payable for life in an amount equal to 50% of the annual retainer fee then in effect, plus an additional 10% for each year of service in excess of five years, up to a maximum of 100% of the annual retainer fee. In the event of a change in control, a retired director who was a beneficiary under the plan would be paid a lump sum payment equal to the actuarial equivalent of the retirement benefit.

Effective January 1, 1998, the Board terminated the Directors Retirement Plan with respect to all future non-employee directors and converted the rights under such plan of all directors with less than ten years of service at such time into stock units under our 1997 Directors Deferred Compensation and Annual Stock Unit Award Plan, described below. In addition, all non-employee directors with ten or more years of service at such time were given the option of retaining their rights under the Directors Retirement Plan based upon the 1997 annual retainer fee of \$26,500 or converting their rights into stock units under our 1997 Plan.

Under the 1997 Plan, on January 1 of each year, each non-employee director is currently credited with 1,000 Harris stock equivalent units, which number may be changed from time to time by the Board. In addition, under the 1997 Plan, each non-employee director may make an irrevocable election each year to defer all or a portion of his or her fees. Deferred amounts may be invested in investment alternatives similar to those available under our 401(k) Retirement Plan or in stock units, pursuant to which a director's account is credited with a number of units of Harris stock equivalents based upon the fair market value of our common stock on the first day of the month following the calendar month in which the fees are deferred. Once amounts are credited in Harris stock equivalents, they may not be reallocated into any other investment alternatives and are payable only following the director's resignation, retirement, or death. Each stock unit is credited with dividend equivalents, which are deemed reinvested in additional Harris stock units on the dividend payment date. A director may elect to receive amounts deferred under the 1997 Plan, including amounts deferred in the form of Harris stock units, either in a lump sum cash payment on a date within five years of his or her resignation or retirement or in annual payments over a designated number of years, provided all amounts are fully paid within ten years of resignation or retirement. Within 90 days

following a change of control, each director (or former director) will receive a lump sum cash payment equal to the then remaining balance in his or her account.

*Indemnification*

We have entered into indemnification agreements with each of our directors and executive officers, including those executive officers named in the summary compensation table on page 20. These agreements require us to indemnify these directors and officers with respect to their activities as directors or officers of Harris, or when serving at our request as a director, officer or trustee of another corporation, trust or other enterprise, against expenses (including attorneys' fees, judgments, fines, and amounts paid in settlement) actually and reasonably incurred by them in any threatened, pending or completed action, suit, or proceeding whether civil, criminal, administrative or investigative to which they are, or are threatened to be made, parties as a result of their service to us. We will indemnify each such director or officer for any one or a combination of the following, whichever is most advantageous to such director or officer:

The benefits provided by our Restated Certificate of Incorporation and By-Laws in effect on the date of the indemnification agreement;

The benefits provided by our Restated Certificate of Incorporation and By-Laws at the time expenses are incurred by the director or officer;

The benefits allowable under Delaware law in effect on the date of the indemnification agreement;

The benefits allowable under the law of the jurisdiction under which we exist at the time expenses are incurred by the director or officer;

The benefits available under liability insurance obtained by us; and

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

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

**SHARES HELD BY DIRECTORS AND EXECUTIVE OFFICERS AND  
CERTAIN BENEFICIAL OWNERS**

The rules of the SEC require disclosure regarding any person known to us to be a beneficial owner of more than 5% of our common stock. To the best of our knowledge, no person or group beneficially owned more than 5% of our common stock as of July 12, 2002.

The following table sets forth the beneficial ownership of shares and equivalent units of our common stock, as of July 12, 2002, by each director, including the nominees for election at the 2002 Annual Meeting, each of the executive officers named in the summary compensation table below, and all our directors and executive officers as a group. Except as otherwise noted, the named individual or family members had sole voting and investment power with respect to the securities.

Name	Shares Beneficially Owned(1)	Deferred Stock Units(2)
<b>DIRECTORS</b>		
Thomas A. Dattilo(3)	2,000	1,849
Alfred C. DeCrane, Jr.(3)	11,461	15,814
Ralph D. DeNunzio(3)	28,489	8,157
Joseph L. Dionne(3)	23,063	7,334
Phillip W. Farmer(4)*	606,204	8,932
Lewis Hay III		763
Karen Katen(3)	16,469	13,433
Stephen P. Kaufman(3)	3,000	2,522
David B. Rickard		1,003
Gregory T. Swinton(3)	1,000	6,794
<b>NAMED EXECUTIVE OFFICERS</b>		
Richard L. Ballantyne(4)	66,112	1,293
Nick E. Heldreth(4)	97,556	1,403
Robert K. Henry(4)	81,785	1,066
Chester A. Massari(4)	57,960	858
Bryan R. Roub(4)(5)	235,181	3,730
All directors and executive officers as a group (21 persons)(6)	1,526,227	78,830

\* Also a Named Executive Officer.

- (1) No individual director, nominee for director, or Named Executive Officer beneficially owns 1% or more of our outstanding common stock. The directors and executive officers, as a group, beneficially own 2.27% of our outstanding common stock.
- (2) For the non-employee directors, this column includes stock equivalent units credited under our 1997 Plan discussed above under Director Compensation and Benefits. For the executive officers, this column includes amounts deferred in the form of stock equivalent units under our Supplemental Executive Retirement Plan, which are settled in cash following or under certain circumstances prior to retirement. These deferred stock equivalent units may not be voted or transferred.
- (3) The shares reported include shares underlying options granted under our 1990 Stock Incentive Plan and 2000 Stock Incentive Plan, which are exercisable within 60 days of July 12, 2002, as follows: Mr. Dattilo 1,000 shares; Mr. DeCrane 9,265 shares; Mr. DeNunzio 18,081 shares; Mr. Dionne 18,081 shares; Ms. Katen 11,469 shares; Mr. Kaufman 1,000 shares; and Mr. Swinton 1,000 shares.
- (4) The shares reported include: (i) performance shares awarded under our 1990 Stock Incentive Plan and 2000 Stock Incentive Plan for which the performance period had not expired and as to which the named individuals have sole voting power but no investment power, as follows: Mr. Farmer 45,000 shares; Mr. Ballantyne 9,000 shares; Mr. Heldreth 9,000 shares; Mr. Henry 13,000 shares; Mr. Massari 8,000 shares; and Mr. Roub 15,000 shares; and (ii) shares underlying options granted under our 1990 Stock Incentive Plan, and 2000 Stock Incentive Plan,



which are exercisable or become exercisable within 60 days of July 12, 2002, as follows: Mr. Farmer 361,498 shares; Mr. Ballantyne 31,875 shares; Mr. Heldreth 60,532 shares; Mr. Henry 68,376 shares; Mr. Massari 42,152 shares; and Mr. Roub 154,489 shares.

- (5) The shares reported do not include 400 shares owned by family members of Mr. Roub. Mr. Roub disclaims beneficial ownership of such shares.
- (6) The shares reported as owned by all directors and executive officers, as a group, include: (i) 139,500 performance shares awarded to the executive officers under our 1990 Stock Incentive Plan and 2000 Stock Incentive Plan as to which the executive officers have sole voting power but no investment power; and (ii) 969,144 shares underlying options granted under our 1990 Stock Incentive Plan and 2000 Stock Incentive Plan, which are exercisable or become exercisable within 60 days of July 12, 2002. The shares reported do not include 440 shares owned by family members, for which the directors and executive officers disclaim beneficial ownership.

**REPORT OF THE AUDIT COMMITTEE**

The role of the Audit Committee is, among other things, to assist the Board of Directors in its oversight of our:

Accounting and financial reporting principles and policies and internal controls and procedures;

Financial statements and the audit of those statements; and

Selection of independent auditors and evaluation of their independence.

The Board of Directors, in its business judgment, has determined that all members of the Audit Committee are independent, as required by applicable listing standards of the