

Page 2 of the Merriam Report provides a summary of the dual cash-flow analysis, investment opinion and earnings quality comments.

In the top section of page two we summarize the dual cash-flow data, incl. a graphic view of each cash-flow trend [1]

It also displays a consolidated quick-glance view of recent period balance-sheet changes compared to the average [2] and a graphic view of changes in goodwill [3].

The **Investment Opinion** [4] section provides a BUY, SELL, AVOID, TRIM, etc. rating, as well as **estimated fair-value** (derived from a scoring system which compares changes in the Merriam Report data to a security's price).

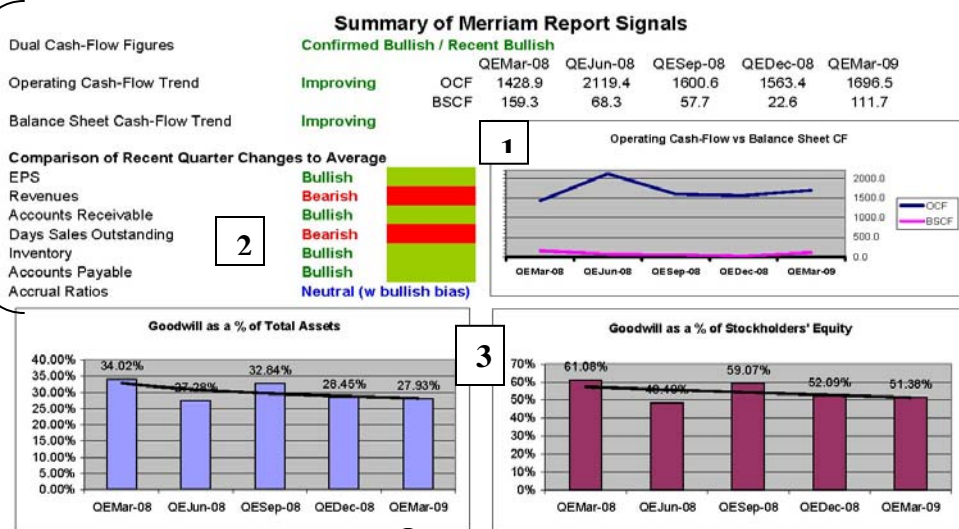
A written summary of the analysis highlights areas of the financial statements we believe merit closer attention or study [5].

Primary objective is to evaluate the data as objectively as possible and without bias. Identify strengths, weaknesses and areas investors may want to track going forward.

The MR also provides trading range analysis and possible entry points based on what the data is telling us at that particular time.

Our objective with the **Merriam Report** is to help determine the true earnings quality of a company using a combination of unique and unconventional methodologies. More importantly, we believe it provides valuable, if not very predictive clues, to the future direction of a stock's price.

In our summary of Harris Corp., the data was telling us it was a BUY going into their August 12th, 2009 earnings report. Several days prior to the earnings announcement, HRS shares got walloped. The company reported great numbers and the stock jumped 15% in the following week and was up more than 35% several months later.



Investment Opinion: BUY

Estimated Fair Value: \$35.48*

Current Price to Estimated Fair Value: -15.46%

Shares of communications & info technology firm Harris Corp. got clobbered almost 8% on Monday Aug. 11th. Investors appear to be expecting less than rosy 4th qtr. numbers when they report on Tues. Aug. 12th after the market close.

Their exposure to the military and defense sector may have some on edge, particularly with avionic contracts and the perception these budgets will be slashed. Mr. Obama himself said there was too much pork in several jet-fighter programs, so expect some fiscal hatchet work in the fluffier projects.

However, given the world we live in (now), the need for advanced communications technology will always be there. What makes Harris attractive to us though is its diversity of businesses and high quality patents and intellectual property assets.

Clean balance sheet and good earnings quality: Our dual cash-flow signals for HRS are bullish. The spread between operating cash-flow and balance-sheet cash-flow is substantial (operating cash-flow in our model remains positive). We also like the fact that management has slowed its use of accrual accounting, which helps to validate the bullish dual cash flow indicators.

What are the risks? Well, if Monday's sell-off is prescient, the company may indeed disappoint on Tuesday. We also notice a (very) slight deterioration in revenue metrics and capital productivity recently. This can be seen in a subtle increase of days-sales outstanding and inventory as a percentage of sales.

Intangible asset impairment is another risk, but we do note intangible assets as a % of total assets and equity have declined in the past three four quarters. Again, this provides anecdotal evidence that management is working hard to run a tight ship. -See page 2 for goodwill charts.

We think there is more to like about Harris than not. It's a difficult economy, and, when it comes to doing business with the government, anything can happen. These days, populist politics are, well, popular; printing money is chic. Legislators might be too attached to dreamland, but we can almost guarantee there will always be a need for Harris Corp. in a complicated world.

Keep an eye on HRS shares. Trading range looks to be in the \$28 - 31 area. Any further pull-back to \$27 or under, would in our view, be worthy of a "paddle" for value investors, but, don't be surprised if shares pop on the earnings news August 12th.

The opinions expressed herein are solely those of the author and there is no guarantee to the accuracy or completeness of information contained herein. This report is not a solicitation to buy or sell any security mentioned and it is always recommended to conduct a thorough due-diligence of any security or issue before making an investment. * "Estimated Fair-Value" is intended as a reference point to data presented in this report and the trading price of a security as of the date listed below. As such, it should not be relied on as a true measure of "fair-value" within the context of any security discussed or mentioned herein.

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Disclosure of holdings: None