

DANAHER CORP /DE/
Form DEF 14A
April 01, 2003
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

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
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- Soliciting Material Pursuant to §240.14a-12

DANAHER CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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DANAHER CORPORATION

2099 Pennsylvania Avenue, N.W.

Washington, D.C. 20006

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD MAY 6, 2003

To the Shareholders:

Notice is hereby given that the 2003 Annual Meeting of Shareholders of Danaher Corporation, a Delaware corporation (the Company), will be held at the Mayflower Hotel, 1127 Connecticut Avenue, N.W., Washington, D.C. 20037, on May 6, 2003 at 3:00 p.m., local time, for the following purposes:

1. To elect three Directors to hold office for a term of three years and until their successors are elected and qualified.
2. To ratify the selection of Ernst & Young LLP as the Company's independent accountant for the year ending December 31, 2003.
3. To approve the Amended and Restated Danaher Corporation & Subsidiaries Executive Deferred Incentive Program.
4. To approve the material terms of the performance goals for incentive compensation to the Company's executive officers.
5. To approve an award of performance shares to the Company's President and Chief Executive Officer.
6. To act upon a shareholder proposal.
7. To consider and act upon such other business as may properly come before the meeting.

The Board of Directors has fixed the close of business on March 17, 2003 as the record date for determination of shareholders entitled to notice of and to vote at the meeting and any adjournment thereof.

Whether or not you expect to be present, please sign, date and return the enclosed proxy card as promptly as possible in the enclosed stamped envelope, the postage on which will be valid if mailed in the United States.

BY ORDER OF THE BOARD OF DIRECTORS

PATRICK W. ALLENDER

Secretary

March 31, 2003

EVERY SHAREHOLDER'S VOTE IS IMPORTANT. PLEASE MARK, SIGN, DATE AND MAIL THE ENCLOSED PROXY CARD AT YOUR EARLIEST CONVENIENCE, WHETHER OR NOT YOU PLAN TO ATTEND THE DANAHER CORPORATION ANNUAL MEETING.

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PROXY STATEMENT

DANAHER CORPORATION

2099 Pennsylvania Avenue, N.W.

Washington, D.C. 20006

2003 ANNUAL MEETING OF SHAREHOLDERS

MAY 6, 2003

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Danaher Corporation, a Delaware corporation (the "Company"), of proxies for use at the 2003 Annual Meeting of Shareholders ("Annual Meeting") to be held at the Mayflower Hotel, 1127 Connecticut Avenue, N.W., Washington, D.C. 20037 on May 6, 2003 at 3:00 p.m., local time, and at any and all adjournments thereof. The Company's principal address is 2099 Pennsylvania Avenue, N.W., Washington, D.C. 20006. The date of mailing of this Proxy Statement is on or about April 4, 2003. The purpose of the meeting is to elect three directors of the Company; to ratify the selection of Ernst & Young LLP as the Company's independent accountant for the year ending December 31, 2003; to approve the Amended and Restated Danaher Corporation & Subsidiaries Executive Deferred Incentive Program; to approve the material terms of the performance goals for incentive compensation to the Company's executive officers; to approve an award of performance shares to the Company's President and Chief Executive Officer; to act upon a shareholder proposal; and to consider and act upon such other business as may properly come before the meeting.

OUTSTANDING STOCK AND VOTING RIGHTS

In accordance with the By-laws of the Company, the Board of Directors has fixed the close of business on March 17, 2003 as the record date for determining the shareholders entitled to notice of, and to vote at, the Annual Meeting. Only shareholders of record on that date will be entitled to vote. Proxies will be voted as specified on the proxy card. In the absence of specific instructions, proxies will be voted (1) FOR each of the nominees named herein as directors, or their respective substitutes as may be appointed by the Board of Directors, (2) FOR ratification of the selection of Ernst & Young LLP as the Company's independent accountant for the year ending December 31, 2003, (3) FOR approval of the Amended and Restated Danaher Corporation & Subsidiaries Executive Deferred Incentive Program, (4) FOR approval of the material terms of the performance goals for incentive compensation to the Company's executive officers, (5) FOR approval of an award of performance shares to the Company's President and Chief Executive Officer, (6) AGAINST the shareholder proposal, and (7) in the discretion of the proxy holders on any other matter which properly comes before the meeting. The Board of Directors has selected Steven M. Rales and Mitchell P. Rales to act as proxies with full power of substitution.

Solicitation of proxies may be made personally or by mail, telephone, internet or facsimile by officers and other management employees of the Company, who will receive no additional compensation for their services. The total expense of the solicitation will be borne by the Company and may include reimbursement paid to brokerage firms and others for their expenses in forwarding material regarding the Annual Meeting to beneficial owners.

The only outstanding securities of the Company entitled to vote at the Annual Meeting are shares of Common Stock, \$.01 par value ("Company Common Stock"). As of the close of business on March 17, 2003, the record date for determining the shareholders of the Company entitled to vote at the Annual Meeting, 152,720,522 shares of Company Common Stock were issued and outstanding. Each outstanding share of Company Common Stock entitles the holder to one vote on all matters brought before the Annual Meeting. The quorum necessary to conduct business at

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the Annual Meeting consists of a majority of the issued and outstanding shares of Company Common Stock entitled to vote at the Annual Meeting as of the record date.

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For Proposal 1, the three nominees who receive the most votes will be elected. In the election of directors, each shareholder is entitled to cast one vote for each director to be elected; cumulative voting is not permitted. For each of Proposals 2 and 6, the affirmative vote of the holders of a majority of the shares of Company Common Stock represented and entitled to vote at the Annual Meeting is required for approval. For Proposals 3, 4 and 5, the affirmative vote of a majority of the votes cast on the proposal at the Annual Meeting is required for approval.

If you are a beneficial owner and do not provide the shareholder of record with voting instructions, your shares may constitute broker non-votes. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

Abstentions and broker non-votes are counted as present in determining whether the quorum requirement is satisfied. For purpose of Proposals 1, 3, 4 and 5, abstentions and broker non-votes are not considered to be votes cast and do not affect the required vote. For purposes of each of Proposals 2 and 6, broker non-votes are neither counted for purposes of determining the number of affirmative votes required for approval of the particular proposal, nor voted for or against the particular proposal. As a result, as long as a quorum is present, broker non-votes have no effect on the outcome of a vote. For purposes of each of Proposals 2 and 6, abstentions are counted for purposes of determining the minimum number of affirmative votes required for approval of a particular proposal and, accordingly, have the effect of a vote against the particular proposal.

Any person giving a proxy pursuant to this solicitation has the power to revoke it at any time before it is voted. It may be revoked by filing with the Secretary of the Company a written notice of revocation or a duly executed proxy bearing a later date, or it may be revoked by attending the meeting and voting in person. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to revoke your proxy or vote at the meeting, you must follow the instructions provided to you by the record holder and/or obtain from the record holder a proxy issued in your name. Attendance at the meeting will not, by itself, revoke a proxy.

If you and other residents at your mailing address own shares of Company Common Stock in street name, your broker or bank may have sent you a notice that your household will receive only one annual report and proxy statement for each company in which you hold stock through that broker or bank. This practice of sending only one copy of proxy materials is known as householding. This practice is designed to reduce printing and postage costs. Unless you responded that you did not want to participate in householding, you were deemed to have consented to the process. Your broker will send one copy of the Company's annual report and proxy statement to your address. You may revoke your consent to householding at any time by sending your name, the name of your brokerage firm, and your account number to Household Department, 51 Mercedes Way, Edgewood, NY 11717 or telephoning 1-800-542-1061. The revocation of your consent to householding will be effective 30 days after its receipt. If you did not receive an individual copy of this proxy statement or the Company's annual report, the Company will send a copy to you if you address your written request to Danaher Corporation, Attn: Investor Relations, 2099 Pennsylvania Avenue, N.W., Washington, D.C. 20006, or call the Company at 202-828-0850.

BENEFICIAL OWNERSHIP OF COMPANY COMMON STOCK BY DIRECTORS, OFFICERS AND PRINCIPAL SHAREHOLDERS

The following table sets forth as of March 17, 2003 (except as noted), the number of shares and percentage of Company Common Stock beneficially owned by (1) each person who owns of record or is known to the Company to beneficially own more than five percent of the Company Common Stock, (2) each of the Company's directors and nominees for director and each of the executive officers named in the Summary Compensation Table, and (3) all present executive officers and directors of the Company as a group. As of March 17, 2003,

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152,720,522 shares of Company Common Stock were outstanding. Except as otherwise indicated, each person or entity included in the table below has sole voting and investment power with respect to the shares beneficially owned by that person or entity. Under applicable SEC rules, the definition of beneficial ownership for purposes of this table includes shares over which a person or entity has sole or shared voting or investment power, whether or not the person or entity has any economic interest in the shares, and also includes shares for which the person has the right to acquire beneficial ownership within 60 days of March 17, 2003.

Name	Number of Shares Beneficially Owned (1)	Percent of Class (1)
Mortimer M. Caplin	184,874(2)	*
H. Lawrence Culp, Jr.	289,375(3)	*
Donald J. Ehrlich	66,000(4)	*
Walter G. Lohr, Jr.	194,000(5)	*
Mitchell P. Rales	33,282,050(6)	21.8%
Steven M. Rales	34,148,833(6)	22.4%
Alan G. Spoon	10,000(7)	*
A. Emmet Stephenson, Jr.	194,120(8)	*
Patrick W. Allender	675,668(9)	*
Philip W. Knisely	5,721(10)	*
Steven E. Simms	404,222(11)	*
William J. Butler	47,859(12)	*
AXA Financial, Inc.	12,016,227(13)	7.9%
All executive officers and directors as a group (18 persons)	38,582,486(14)	25.0%

- (1) Pursuant to the definition of beneficial ownership, balances credited to an officer's account under the Danaher Corporation & Subsidiaries Executive Deferred Incentive Program (the "EDIP"), which could under the terms of the EDIP be converted into shares of Company Common Stock within 60 days of March 17, 2003, are reflected in the table. For purposes of the table, the number of shares of Company Common Stock attributable to a person's EDIP account is equal to (1) the person's outstanding EDIP balance as of March 17, 2003 (to the extent such balance is vested or will become vested within 60 days of March 17, 2003), divided by (2) the closing price of Company Common Stock as of March 17, 2003. This table also includes shares that may be acquired upon exercise of options that are exercisable within 60 days of March 17, 2003.
- (2) Includes options to acquire 18,000 shares and 23,000 shares held by Mr. Caplin's spouse, as to which Mr. Caplin disclaims beneficial ownership. Also includes 7,074 shares held by a charitable foundation of which Mr. Caplin is director and president, as to which Mr. Caplin disclaims beneficial ownership.
- (3) Includes options to acquire 268,000 shares, 913 shares attributable to Mr. Culp's 401(k) account and 20,462 shares attributable to Mr. Culp's EDIP account.
- (4) Includes options to acquire 22,000 shares.
- (5) Includes options to acquire 22,000 shares. Also includes 20,000 shares held by a charitable foundation of which Mr. Lohr is president, and 40,000 shares held by Mr. Lohr as trustee of a trust for his children, as to which Mr. Lohr disclaims beneficial ownership.
- (6) The aggregate holdings for Steven and Mitchell Rales include (i) all of the 31,314,888 shares owned by Equity Group Holdings LLC, Equity Group Holdings II LLC, and Equity Group Holdings III LLC, of which Steven Rales and Mitchell Rales are the only members, and (ii) 2,833,945 and 1,967,162 shares of Company Common Stock owned directly or through 401(k) accounts by Steven Rales and Mitchell Rales, respectively. Steven and Mitchell Rales each disclaim beneficial ownership of those shares that are owned directly or through 401(k) accounts by the other. Combined, Steven and Mitchell Rales beneficially own 36,115,995 shares, or 23.6% of Company Common Stock outstanding. Shares of Company Common Stock held by Equity Group Holdings LLC, Equity Group Holdings II LLC, and Equity Group Holdings III LLC are pledged to secure lines of credit with certain banks. These entities are in compliance with these lines of

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- credit. The business address of each of Steven and Mitchell Rales, and of Equity Group Holdings LLC, Equity Group Holdings II LLC, and Equity Group Holdings III LLC, is 2099 Pennsylvania Avenue, N.W., Washington, D.C. 20006.
- (7) Includes options to acquire 8,000 shares and 2,000 shares held jointly by Mr. Spoon and his spouse.
 - (8) Includes 172,120 shares and options to acquire 22,000 shares held in the name of Stephenson Ventures, a limited partnership of which Mr. Stephenson is the sole general partner.
 - (9) Includes options to acquire 433,200 shares, 58,568 shares attributable to Mr. Allender's EDIP account, 27,600 shares held by family members and 12,100 shares held by a family limited partnership. Mr. Allender disclaims beneficial ownership of the shares held by family members and by the family limited partnership.
 - (10) Includes 1,513 shares attributable to Mr. Knisely's EDIP account and 2,500 shares held jointly by Mr. Knisely and his spouse. Also includes approximately 1,708 shares held in trusts for the benefit of Mr. Knisely's daughters, for which Mr. Knisely's spouse serves as trustee, and as to which Mr. Knisely disclaims beneficial ownership.
 - (11) Includes options to acquire 376,000 shares, 2,541 shares attributable to Mr. Simms' 401(k) account, 23,481 shares attributable to Mr. Simms' EDIP account and 1,200 shares held in an IRA for the benefit of Mr. Simms.
 - (12) Includes options to acquire 21,400 shares, 7,471 shares attributable to Mr. Butler's 401(k) account, 16,316 shares attributable to Mr. Butler's EDIP account and 950 shares held in an IRA for the benefit of Mr. Butler and his spouse. Also includes 1,722 shares held by Mr. Butler as custodian for his child under the Uniform Gifts to Minors Act, as to which Mr. Butler disclaims beneficial ownership.
 - (13) The amount shown and following information is derived from Amendment No. 1 to Schedule 13G dated February 12, 2003 filed jointly on behalf of AXA Financial, Inc. and five French mutual insurance companies (AXA Assurances I.A.R.D. Mutuelle, AXA Assurances Vie Mutuelle, AXA Conseil Vie Assurance Mutuelle, AXA Courtage Assurance Mutuelle and AXA) as a group, which sets forth their beneficial ownership as of December 31, 2002. According to the Schedule 13G, each of the French mutual insurance companies and AXA has sole voting power over 5,409,077 shares, shared voting power over 1,971,989 shares, sole dispositive power over 12,011,948 shares and shared dispositive power over 4,279 shares. AXA Financial, Inc. has sole voting power over 5,220,107 shares, shared voting power over 1,971,989 shares, sole dispositive power over 11,824,878 shares and shared dispositive power over 2,379 shares. The shares are beneficially owned directly by AXA entities or subsidiaries of AXA Financial, Inc. as follows: AXA Investment Managers Paris (16,300 shares), AXA Investment Managers UK Ltd. (170,700 shares), AXA Konzern AG (70 shares), AXA Rosenberg Investment Management LLC (1,900 shares), Alliance Capital Management L.P. (11,449,197 shares) and The Equitable Life Assurance Society of the United States (378,060 shares). The address of AXA is 25, avenue Matignon, 75008 Paris, France. In the Schedule 13G, each of the French mutual insurance companies, collectively, and AXA expressly declares that the filing shall not be construed as an admission that it is, for purposes of Section 13(d) of the Exchange Act, the beneficial owner of any securities covered by the Schedule 13G, and states that each of the AXA Financial, Inc. subsidiaries operates under independent management and makes independent decisions. The addresses of the French mutual companies are as follows: AXA Conseil Vie Assurance Mutuelle, AXA Assurances I.A.R.D. Mutuelle and AXA Assurances Vie Mutuelle, 370, rue Saint Honore, 75001 Paris, France; AXA Courtage Assurance Mutuelle, 26, rue Louis le Grand, 75002 Paris, France; and AXA, 25, avenue Matignon, 75008 Paris, France. The address of AXA Financial, Inc. is 1290 Avenue of the Americas, New York, New York 10104.
 - (14) Includes options to acquire 1,377,600 shares and 178,092 shares attributable to executive officers' EDIP accounts. See Notes (2)-(12).
- * Represents less than 1% of the outstanding Company Common Stock.

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The Company's Certificate of Incorporation provides that the Board of Directors shall be divided into three classes with the number of directors in each class to be as equal as possible. The Board has fixed the number of directors of the Company at eight. At the 2003 Annual Meeting of Shareholders, shareholders will elect three directors to serve until the 2006 Annual Meeting of Shareholders and until their successors are duly elected and qualified. The Board of Directors has nominated Messrs. Mortimer M. Caplin, Donald J. Ehrlich and Walter G. Lohr, Jr. to serve as directors in the class whose term expires in 2006. Messrs. H. Lawrence Culp, Jr., Mitchell P. Rales and A. Emmet Stephenson, Jr. will continue to serve as directors in the class whose term expires in 2005. Messrs. Steven M. Rales and Alan G. Spoon will continue to serve as directors in the class whose term expires in 2004.

The names of the nominees and the directors continuing in office, their principal occupations, the years in which they became directors and the years in which their terms expire are set forth below. In the event a nominee shall decline or be unable to serve, the proxies will be voted in the discretion of the proxy holders. The Company knows of no reason why this will occur.

NOMINEES FOR ELECTION AT THIS YEAR'S ANNUAL MEETING**TO SERVE IN THE CLASS WHOSE TERM EXPIRES IN 2006**

<u>Name</u>	<u>Age</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Term Expires</u>
Mortimer M. Caplin (a,c)	86	Senior Member of Caplin & Drysdale, a law firm in Washington, D.C., for over five years; Director of Fairchild Corporation and Presidential Realty Corporation.	1990	2006
Donald J. Ehrlich (a,c)	65	Chief Executive Officer of Schwab Corp., a manufacturer of fire-protective safes, files, cabinets and vault doors, since January 2003; consultant to Wabash National Corp., a manufacturer of standard and customized truck trailers, since July 2001; President and Chief Executive Officer of Wabash National from April 1985 to July 2001, and Chairman of the Board of Wabash National from 1995 to September 2001; Director of Lafayette Community Bancorp.	1985	2006
Walter G. Lohr, Jr. (c,e)	59	Partner of Hogan & Hartson, a law firm in Baltimore, Maryland for over five years.	1983	2006

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THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR EACH OF THE NOMINEES TO THE BOARD OF DIRECTORS.

CURRENT DIRECTORS WHOSE TERM WILL CONTINUE AFTER THIS MEETING

<u>Name</u>	<u>Age</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Term Expires</u>
Steven M. Rales (b,d,e)	51	Chairman of the Board of the Company since 1984; during the past five years, he has been a principal in a number of private business entities with interests in manufacturing companies and publicly traded securities.	1983	2004
Alan G. Spoon (a)	51	Managing General Partner of Polaris Venture Partners, a company which invests in private technology firms, since May 2000; Chief Operating Officer of The Washington Post Company from May 1991 through March 2000 and President of The Washington Post Company from September 1993 through March 2000; Director of Human Genome Sciences, Inc. and USA Interactive, Inc.	1999	2004
H. Lawrence Culp, Jr. (d,e)	40	President and Chief Executive Officer of the Company since May 2001; during the past five years, he has served in general management positions within the Company, including as Chief Operating Officer from July 2000 to May 2001	2001	2005
Mitchell P. Rales (b,d,e)	46	Chairman of the Executive Committee of the Company since 1990; during the past five years, he has been a principal in a number of private business entities with interests in manufacturing companies and publicly traded securities.	1983	2005
A. Emmet Stephenson, Jr. (a)	57	Director and Chairman of the Board of StarTek, Inc., a provider of process management services, for more than five years; President of Stephenson and Co., a private investment firm, for more than five years.	1986	2005

- (a) Member of the Compensation and Organization Committee of the Board of Directors.
(b) Mitchell P. Rales and Steven M. Rales are brothers.
(c) Member of the Audit Committee of the Board of Directors.
(d) Member of the Executive Committee of the Board of Directors.
(e) Member of the Finance Committee of the Board of Directors.

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THE BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

The Board of Directors had a total of seven meetings during 2002. All directors attended at least 75% of the meetings of the Board of Directors and of the Committees of the Board of Directors on which they served during 2002.

The Executive Committee acts on behalf of the Board of Directors of the Company between meetings of the Board of Directors. The Executive Committee met once in 2002.

The Audit Committee reviews the financial statements of the Company to confirm that they reflect fairly the financial condition of the Company and to appraise the soundness, adequacy and application of accounting and operating controls. The Audit Committee recommends the independent accountant to the Board of Directors, reviews the scope of the audit function of the independent accountant and reviews audit reports rendered by the independent accountant. The members of the Audit Committee are independent as defined in the New York Stock Exchange's listing standards. The Audit Committee met 12 times during 2002.

The Compensation and Organization Committee reviews the Company's compensation philosophy and programs, and exercises authority with respect to the payment of direct salaries and incentive compensation to Company officers. The Compensation and Organization Committee is also responsible for the oversight of the stock option plans of the Company. The Compensation and Organization Committee met twice in 2002.

The Finance Committee was formed in December 1999 to oversee the financial affairs and policies of the Company including matters relating to the Company's capital structure and the policies and practices relating to the Company's retirement and pension plans. The Finance Committee met twice in 2002.

The Company does not have a standing nominating committee of the Board of Directors.

EXECUTIVE OFFICERS OF THE COMPANY

Executive Officers of the Company are:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Officer Since</u>
Steven M. Rales	51	Chairman of the Board	1984
Mitchell P. Rales	46	Chairman of the Executive Committee	1984
H. Lawrence Culp, Jr.	40	Chief Executive Officer, President and Director	1995

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Patrick W. Allender	56	Executive Vice President, Chief Financial Officer and Secretary	1987
Philip W. Knisely	48	Executive Vice President	2000
Steven E. Simms	47	Executive Vice President	1996
James H. Ditkoff	56	Senior Vice President Finance and Tax	1991
William J. Butler	47	Group Executive and Vice President Danaher Business System	1999
Daniel L. Comas	39	Vice President Corporate Development	1996
Dennis A. Longo	46	Vice President Human Resources	1997
Robert S. Lutz	45	Vice President Chief Accounting Officer	2002
Christopher C. McMahon	40	Vice President Controller	1999
Daniel A. Pryor	35	Vice President Strategic Development	2000

Steven M. Rales has served as Chairman of the Board since January 1984. In addition, during the past five years, he has been a principal in a number of private business entities with interests in manufacturing companies and publicly traded securities.

Mitchell P. Rales has served as a director of the Company since January 1984. In addition, during the past five years, he has been a principal in a number of private business entities with interests in manufacturing companies and publicly traded securities.

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H. Lawrence Culp, Jr. was appointed President and Chief Executive Officer in 2001. He has served in general management positions within the Company for more than the past five years, including serving as Chief Operating Officer from July 2000 to May 2001.

Patrick W. Allender has served as Chief Financial Officer of the Company since March 1987 and was appointed Executive Vice President in 1999.

Philip W. Knisely was appointed Executive Vice President in June 2000. He had previously served Colfax Corporation, a diversified industrial manufacturing company, as Chief Executive Officer since 1995. Colfax Corporation is majority-owned by Steven and Mitchell Rales.

Steven E. Simms was appointed Executive Vice President in 2000. He joined the Company in 1996 as Vice President and Group Executive.

James H. Ditkoff served as Vice President-Finance and Tax from January 1991 to December 2002 and has served as Senior Vice President-Finance and Tax since December 2002.

William J. Butler was appointed Group Executive and Vice President-Danaher Business System in October 2002, after serving as Vice President and Group Executive since November 1999. He has served in general management positions within the Company for more than the past five years.

Daniel L. Comas has served as Vice President-Corporate Development since 1996.

Dennis A. Longo has served as Vice President-Human Resources since 1997.

Robert S. Lutz joined the Company as Vice President-Audit and Reporting in July 2002 and was appointed Vice President-Chief Accounting Officer in March 2003. Prior to joining the Company, he served in various positions at Arthur Andersen LLP from 1979 until 2002, most recently as partner from 1991 to July 2002.

Christopher C. McMahon was appointed Vice President-Controller in 1999. He has served in financial management positions within the Company for more than the past five years.

Daniel A. Pryor was appointed Vice President-Strategic Development in 2000. He has served in general management positions within the Company for more than the past five years.

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**COMPENSATION OF DIRECTORS
AND EXECUTIVE OFFICERS**

The following table sets forth certain information concerning the compensation for the last three completed fiscal years of the Chief Executive Officer and the four other most highly compensated executive officers of the Company (other than the Chief Executive Officer) serving as executive officers as of December 31, 2002 and whose 2002 compensation exceeded \$100,000.

SUMMARY COMPENSATION TABLE

(a) Name and Principal Position	ANNUAL COMPENSATION			LONG TERM COMPENSATION AWARDS			
	(b) Year	(c) Salary (\$)	(d) Bonus (\$)	(e) Other Annual Compensation (\$)	(f) Restricted Stock Awards (\$)	(g) Securities Underlying Options (#)	(h) All Other Compensation (\$)
H. Lawrence Culp, Jr. President and CEO (1)	2002	750,000	1,853,702	458,880(2)			12,468(3)
	2001	577,500	631,792	622,103(2)			181,943(3)
	2000	465,600	831,876	110,678(2)		1,000,000	24,743(3)
Patrick W. Allender Executive Vice President, CFO and Secretary	2002	390,000	541,702				15,237(4)
	2001	375,375	286,792				118,702(4)
	2000	370,000	526,876			300,000	11,644(4)
Steven E. Simms Executive Vice President	2002	426,205	451,702				12,730(5)
	2001	383,785	271,792				114,115(5)
	2000	376,000	401,876			500,000	10,476(5)
Philip W. Knisely Executive Vice President (6)	2002	428,336	501,702				11,197(7)
	2001	347,019	176,792				109,902(7)
	2000	159,230	350,000			500,000	
William J. Butler Group Executive and Vice President-Danaher	2002	306,923	132,500				96,382(8)
	2001	267,067	1,792			50,000	73,620(8)

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Business System	2000	164,129	46,876	9,000	163,800(8)
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- (1) Mr. Culp became President and Chief Executive Officer in May 2001. Mr. Culp served as the Company's Chief Operating Officer from July 2000 until May 2001 and as Executive Vice President prior to July 2000.
- (2) For 2002, includes \$166,667 relating to portion of \$500,000 loan forgiven during 2002, and \$173,674 as a gross-up reimbursement for taxes payable in connection with the loan forgiveness described above, imputed interest on such loan and relocation cost reimbursements. For 2001, includes \$166,667 relating to portion of \$500,000 loan forgiven during 2001, \$132,858 for relocation costs and \$256,992 as a gross-up reimbursement for taxes payable in connection with the loan forgiveness and relocation cost reimbursement described above and imputed interest on such loan. For 2000, includes \$30,137 relating to portion of \$500,000 loan forgiven during 2000, \$23,566 car allowance and \$49,065 as a gross-up reimbursement for taxes payable in connection with the loan forgiveness described above, imputed interest on such loan and relocation cost reimbursements.
- (3) For 2002, includes (a) \$341 in above-market earnings on amounts in the officer's EDIP fixed rate account, (b) \$5,100 in Company contributions to the officer's account in the Company 401(k) plan, (c) \$6,000 in Company contributions to the Danaher Corporation & Subsidiaries Pension Plan and (d) \$1,027 in contributions to the EDIP Danaher stock fund. For 2001, includes (a) \$142 in above-market earnings on amounts in the officer's EDIP fixed rate account, (b) \$5,100 in Company contributions to the officer's account in the Company 401(k) plan, (c) \$5,100 in Company contributions to the Danaher Corporation & Subsidiaries Pension Plan and (d) \$171,600 in contributions to the EDIP Danaher stock fund. For 2000,

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- includes (a) \$143 in above-market earnings on amounts in the officer's EDIP fixed rate account, (b) \$5,100 in Company contributions to the officer's account in the Company 401(k) plan, (c) \$5,100 in Company contributions to the Danaher Corporation & Subsidiaries Pension Plan and (d) \$14,400 in salary deferrals to the EDIP Danaher stock fund.
- (4) For 2002, includes (a) \$3,098 in above-market earnings on amounts in the officer's EDIP fixed rate account, (b) \$5,100 in Company contributions to the officer's account in the Company 401(k) plan, (c) \$6,000 in Company contributions to the Danaher Corporation & Subsidiaries Pension Plan, and (d) \$1,039 in contributions to the EDIP Danaher stock fund. For 2001, includes (a) \$2,200 in above-market earnings on amounts in the officer's EDIP fixed rate account, (b) \$5,100 in Company contributions to the officer's account in the Company 401(k) plan, (c) \$5,100 in Company contributions to the Danaher Corporation & Subsidiaries Pension Plan, and (d) \$106,302 in contributions to the EDIP Danaher stock fund. For 2000, includes (a) \$1,444 in above-market earnings on amounts in the officer's EDIP fixed rate account, (b) \$5,100 in Company contributions to the officer's account in the Company 401(k) plan, and (c) \$5,100 in Company contributions to the Danaher Corporation & Subsidiaries Pension Plan.
- (5) For 2002, includes (a) \$881 in above-market earnings on amounts in the officer's EDIP fixed rate account, (b) \$5,100 in Company contributions to the officer's account in the Company 401(k) plan, (c) \$6,000 in Company contributions to the Danaher Corporation & Subsidiaries Pension Plan, and (d) \$749 in contributions to the EDIP Danaher stock fund. For 2001, includes (a) \$484 in above-market earnings on amounts in the officer's EDIP fixed rate account, (b) \$5,100 in Company contributions to the officer's account in the Company 401(k) plan, (c) \$5,100 in Company contributions to the Danaher Corporation & Subsidiaries Pension Plan, and (d) \$103,430 in contributions to the EDIP Danaher stock fund. For 2000, includes (a) \$276 in above-market earnings on amounts in the officer's EDIP fixed rate account, (b) \$5,100 in Company contributions to the officer's account in the Company 401(k) plan, and (c) \$5,100 in Company contributions to the Danaher Corporation & Subsidiaries Pension Plan.
- (6) Mr. Knisely joined the Company as Executive Vice President in June 2000.
- (7) For 2002, includes (a) \$5,100 in Company contributions to the officer's account in the Company 401(k) plan, (b) \$6,000 in Company contributions to the Danaher Corporation & Subsidiaries Pension Plan and (c) \$97 in contributions to the EDIP Danaher stock fund. For 2001, includes (a) \$1,408 in Company contributions to the officer's account in the Company 401(k) plan, (b) \$5,064 in Company contributions to the Danaher Corporation & Subsidiaries Pension Plan and (c) \$103,430 in contributions to the EDIP Danaher stock fund.
- (8) For 2002, includes (a) \$201 in above-market earnings on amounts in the officer's EDIP fixed rate account, (b) \$5,100 in Company contributions to the officer's account in the Company 401(k) plan, (c) \$6,000 in Company contributions to the Danaher Corporation & Subsidiaries Pension Plan, and (d) \$85,081 in contributions and bonus deferrals to the EDIP Danaher stock fund. For 2001, includes (a) \$44 in above-market earnings on amounts in the officer's EDIP fixed rate account, (b) \$5,100 in Company contributions to the officer's account in the Company 401(k) plan, (c) \$5,100 in Company contributions to the Danaher Corporation & Subsidiaries Pension Plan, and (d) \$63,376 in contributions to the EDIP Danaher stock fund. For 2000, includes (a) \$46 in above-market earnings on amounts in the officer's EDIP fixed rate account, (b) \$5,100 in Company contributions to the officer's account in the Company 401(k) plan, (c) \$5,100 in Company contributions to the Danaher Corporation & Subsidiaries Pension Plan, and (d) \$153,554 in salary and bonus deferrals to the EDIP Danaher stock fund.

Grants in Last Fiscal Year

There were no stock options granted during 2002 to any of the officers listed in the Summary Compensation Table.

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The following table sets forth certain information concerning the number of unexercised options and the value of unexercised in-the-money options at the end of 2002 for the executive officers whose compensation is reported in the Summary Compensation Table. The value of unexercised in-the-money options at December 31, 2002 is considered to be the closing price of the Company Common Stock on the New York Stock Exchange on December 31, 2002 (\$65.70 per share) less the per share exercise price, multiplied by the number of shares issuable upon exercise of the option.

Name	Shares Acquired on Exercise #	Value Realized \$(1)	Number of Securities Underlying Unexercised Options at December 31, 2002(#)		Value of Unexercised In-the-Money Options at December 31, 2002(\$)	
			Exercisable/ Unexercisable	Exercisable/ Unexercisable	Exercisable/ Unexercisable	Exercisable/ Unexercisable
H. Lawrence Culp, Jr.	48,000	3,152,410	268,000	1,008,000	11,476,225	19,207,100
Patrick W. Allender (2)	60,000	3,857,700	433,200	308,800	19,965,090	5,867,810
Philip W. Knisely			0	500,000	0	8,818,750
Steven E. Simms			376,000	408,000	13,649,325	7,762,100
William J. Butler	22,000	1,126,670	21,400	59,600	481,016	1,065,665

- (1) Value realized is calculated as the fair market value of the Company Common Stock as reflected by the closing price of the Company Common Stock on the New York Stock Exchange on the date of exercise, less the per share exercise price, multiplied by the number of shares issued upon exercise of the option.
- (2) Mr. Allender's unexercised options include options to acquire 250,000 shares held by family limited partnerships.

PENSION PLAN DISCLOSURE

The Danaher Corporation & Subsidiaries Pension Plan is a funded pension plan qualified under Section 401(a) of the Internal Revenue Code of 1986. Substantially all domestic employees are eligible to participate in the plan. Under the plan, the Company credits the account of a participant each month with an amount equal to 3% of the participant's monthly pay. Participants generally vest in 100% of these contributions after five years of continuous service with the Company. While the participant is an active employee, the participant directs the investment of the amounts credited to his or her account from among the investment funds offered under the plan. A participant may receive his or her vested account balance in cash upon termination of employment. Given that the formula for determining the amount of benefits payable to a participant under the plan depends on the amount of the participant's salary until retirement, and upon the performance of the investment funds selected by the participant, it is not possible to accurately estimate the benefits payable at normal retirement age for the named executive officers. As of December 31, 2002, the named executive officers had the following balances in their respective accounts under the plan:

Name	Account Balance
H. Lawrence Culp, Jr	\$ 23,894.12
Patrick W. Allender	33,969.19
Steven E. Simms	45,753.19

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Philip W. Knisely	10,035.69
William J. Butler	37,712.22

Table of Contents**EQUITY COMPENSATION PLAN INFORMATION**

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a)</u>
	(a)	(b)	(c)
Equity compensation plans approved by security holders(1)	9,399,869	\$ 45.09	5,864,000
Equity compensation plans not approved by security holders(2)	601,324(3)	(4)	(5)
Total	10,001,193(3)	\$ 45.09(4)	5,864,000(5)

- (1) Danaher Corporation 1998 Stock Option Plan and Danaher Corporation 1987 Stock Option Plan. No additional options are issuable under the 1987 Stock Option Plan.
- (2) Danaher Corporation Executive Deferred Incentive Program, referred to as the EDIP .
- (3) The number of securities attributed to the EDIP in column (a) above is equal to (1) the EDIP balance as of December 31, 2002, divided by (2) the closing price of the Company Common Stock as of December 31, 2002. Distributions from the EDIP may be taken, at the election of the participant, in either cash, Company Common Stock or a combination of cash and Company Common Stock.
- (4) If a participant elects to receive their EDIP distribution in shares of Company Common Stock, the participant's EDIP units are converted into shares and distributed to the participant at no additional cost. As such, there is no exercise price for EDIP units.
- (5) There is no specific limitation under the EDIP on the number of shares of Company Common Stock that may be issued upon conversion of units that have been issued, and may be issued in the future, under the EDIP. Under the terms of the amended and restated EDIP described in Proposal 3 below, which shareholders will vote on at the Annual Meeting, the number of shares of Company Common Stock issuable would be limited to 1,000,000 shares.

Executive Deferred Incentive Program

As described under Proposal 3: Approval of the Amended and Restated Danaher Corporation & Subsidiaries Executive Deferred Incentive Program, the Compensation and Organization Committee of the Board of Directors has adopted the Amended and Restated Danaher Corporation & Subsidiaries Executive Deferred Incentive Program (the New EDIP) and has recommended to the Board of Directors that it submit, and the Board of Directors is submitting, this revised plan to shareholders for approval at the Annual Meeting. The summary below describes the terms of the EDIP as currently in effect. If the Company's shareholders approve the New EDIP, the terms of the New EDIP will supersede the terms described below.

The EDIP is a non-qualified, unfunded incentive program. Participation in the EDIP is available to selected executive management associates of the Company and its subsidiaries. Contributions to the program take the form of both voluntary deferrals of salary and/or bonus and Company contributions. Company contributions to the EDIP occur in three-year cycles. The Company credits an amount to the participant's account in the Danaher stock fund (as described below) at the beginning of the three-year cycle, and at the end of the cycle converts one-half of the then-fair market value of such amount to be credited to the fixed rate fund (as described below).

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Voluntary contributions vest immediately, while Company contributions generally vest 100% upon reaching age 55 after five years of Company service. Participants who were employees of the Company or its subsidiaries as of January 1, 1995 and were participants in the EDIP when it was begun in 1995 immediately vest in 67% of each Company contribution, with the remainder of the contribution vesting 100% upon reaching age 55 after five years of Company service. Subject to certain conditions, participants can also defer under the EDIP gains from the exercise of stock options.

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Two investment alternatives are available under the EDIP: (1) the fixed rate fund, and (2) the Danaher stock fund. Amounts credited to the fixed rate fund appreciate at a rate of return fixed by the Company, which was established at 7% for the three-year cycle that began January 1, 2001. Amounts credited to the Danaher stock fund are deemed to be invested in a number of unfunded, notional units equal to the number of units which would have been credited if such amounts had been invested in the Danaher stock fund included in Danaher's 401(k) plan (the 401(k) Stock Fund). The 401(k) Stock Fund is comprised of a unitized pool of Company Common Stock and cash. The notional units in the EDIP Danaher stock fund appreciate at the same rate of appreciation as the units in the 401(k) Stock Fund.

Distributions from the EDIP occur only upon termination of the participant's employment with the Company. With respect to voluntary contributions to the EDIP, participants make a one-time election between the available investment alternatives.

Distributions from the EDIP may be taken, at the election of the participant, in either cash, Company Common Stock or a combination of cash and Company Common Stock, and cash distributions may be taken in a lump sum or in equal amounts over a two, five or ten year period.

COMPENSATION OF DIRECTORS

Directors who are not officers of the Company receive meeting attendance fees of \$1,000 per board meeting (\$500 for telephonic board meetings), together with quarterly fees of \$6,250. A grant of an option to acquire 2,000 shares of Company Common Stock at \$60.92 per share (fair market value at date of grant) was made to each director in July 2002.

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT

In July 2000, the Company appointed H. Lawrence Culp, Jr. Chief Operating Officer, and in October 2000, the Company and Mr. Culp executed an employment agreement. The employment agreement was amended in November 2001. The major provisions of the agreement include: (i) the term of employment continues until July 18, 2003, unless sooner terminated or extended; (ii) target bonus of 100% of base salary; (iii) an interest-free loan in the amount of \$500,000 that is forgiven ratably through October 13, 2003; (iv) reimbursement for taxes incurred as a result of the terms of the \$500,000 loan; (v) term life insurance in a face amount equal to six times his base salary through age fifty-five, which may decrease thereafter; (vi) reimbursement for certain benefits such as club memberships, tax and financial planning advice, physicals and an automobile allowance; (vii) participation in employee and executive benefit plans and programs; (viii) disability compensation; (ix) a non-competition provision that extends for three years after Mr. Culp's termination of employment; and (x) continuation of salary and bonus payments for 24 months upon a termination of Mr. Culp's employment by the Company without cause, Mr. Culp's resignation for good reason or in the event of a change in control of the Company. The agreement also provides that the term of the agreement is automatically extended for additional one (1) year periods on the second anniversary date of the agreement and each subsequent anniversary date, unless either party provides written notice to the other party not less than ninety (90) days prior to the applicable anniversary date that the party is terminating the agreement, in which case such termination would be effective as of the end of the then-current term. The current term under the agreement extends until July 18, 2004. Mr. Culp's base salary is currently \$900,000. Mr. Culp was appointed President and Chief Executive Officer in May 2001.

Pursuant to the Sarbanes-Oxley Act of 2002, the Company is prohibited from extending or arranging for any new loan to an executive officer or director, or from materially amending or renewing any loan to an executive officer or director that was maintained as of the date the Sarbanes-Oxley Act was enacted. The loan provided to Mr. Culp pursuant to his employment agreement predated enactment of the

Sarbanes-Oxley Act. The largest amount outstanding under this loan at any time during 2002 was \$306,000. \$97,000 of this loan remained

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outstanding as of March 17, 2003. As noted above, the loan is interest-free and is being forgiven ratably through October 13, 2003. In accordance with the Sarbanes-Oxley Act, the Company will not materially modify or renew Mr. Culp's loan and will not provide or arrange for any new loans to any of its executive officers or directors.

In May 2000, the Company entered into an employment arrangement with Mr. Knisely under which he is employed as an Executive Vice President of the Company, received an initial grant of 500,000 options, and is entitled to participate in the Company's employee and executive benefit plans and programs. In March 1996, the Company entered into an employment arrangement with Mr. Simms under which he received initial grants of 200,000 options and 30,000 shares of Company Common Stock (adjusted in each case to reflect the Company's 2-for-1 stock split in 1998) and is entitled to participate in the Company's employee and executive benefit plans and programs. The arrangement also provides that if Mr. Simms is involuntarily terminated for other than malfeasance, he is entitled to one year of base salary and medical and car benefits.

COMPENSATION AND ORGANIZATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the Compensation and Organization Committee are A. Emmet Stephenson, Jr., Mortimer M. Caplin, Alan G. Spoon and Donald J. Ehrlich. None of the Company's executive officers serves as a member of the board of directors or executive compensation committee of any entity that has one or more executive officers serving as a member of the Company's Board of Directors. As noted in Certain Relationships and Related Transactions, during 2002 the Company received legal services in the amount of \$1,243 from the firm of Caplin & Drysdale, of which Mr. Caplin, a Director, is a member, and the Company shared the expenses of a joint technology project with the firm of Polaris Venture Partners, of which Mr. Spoon, a Director, is Managing General Partner. The Company's share of the project expenses in 2002 was \$149,205. This joint technology project was terminated in 2002.

Messrs. Steven M. Rales, Mitchell P. Rales and H. Lawrence Culp, Jr. receive a salary set by the Compensation and Organization Committee of the Board of Directors and also serve as directors. However, they do not participate in deliberations regarding their own compensation.

REPORT OF THE COMPENSATION AND ORGANIZATION COMMITTEE OF THE BOARD OF DIRECTORS ON EXECUTIVE COMPENSATION

Total executive officer compensation is comprised of three principal components: annual salary, annual incentive compensation, and grants of options to purchase Company Common Stock. The Committee endeavors to establish total compensation packages for each executive officer equal to the value of that executive's services determined by both what other companies have or might pay the executive for his services and his relationship to other executive positions within the Company, as negotiated at the date of hire. This base is then adjusted annually based on the Committee's assessment of individual performance.

A fundamental element of the Company's compensation policy is that a substantial portion of each executive's compensation be directly related to the success of the Company. This is accomplished in two ways. First, the annual incentive compensation program requires that the Company, or the Company's businesses for which the executive is directly responsible, achieve certain minimum targets in earnings level and working capital management (working capital turnover). If performance for the year is below minimum targeted levels, there would be no payment. If the minimum targets are met or exceeded, each executive receives a formula-based payout taking into account the Company's performance and his or her personal contribution thereto.

Second, executives and other key employees who, in the opinion of the Committee, contribute to the growth, development and financial success of the Company are eligible to be awarded options to purchase

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Company Common Stock. These grants are made at the fair market value on the date of grant normally with vesting over a five year period. In addition to the factors discussed above, the amount of options granted is impacted both by the level of the employee within the Company's management and the amount of options previously granted to the employee. Thus, the compensation value of this element is directly related to the performance of the Company as measured by its returns to shareholders over at least a five year period.

The Committee evaluated each executive's annual incentive compensation awards for 2002. The Committee assessed their performance in light of the targets referenced above and awarded to executives (other than the operating level Group Executives) total incentive compensation payments of \$4,607,000 for 2002. For the years 1998-2002, the Committee established a maximum bonus payment of up to \$2,500,000 per executive. The Company's shareholders approved the performance goals for these periods, which are applicable to all of the Company's executive officers (other than the operating level Group Executives) at the 1998 Annual Meeting.

At a meeting held on December 3, 2002, the Committee approved a new program for awarding incentive compensation to executive officers, including Group Executives, for the years 2003-2007, subject to approval by the Company's shareholders at the 2003 Annual Meeting. This program, differences between the 1998-2002 program and the 2003-2007 program and the reasons for the changes are described under Proposal 4: Approval of Material Terms of Performance Goals for Incentive Compensation to the Company's Executive Officers.

The Committee on March 4, 2003 also adopted certain revisions to the Danaher Corporation & Subsidiaries Executive Deferred Incentive Program, subject to approval by the Company's shareholders at the 2003 Annual Meeting. These revisions are described under Proposal 3: Approval of the Amended and Restated Danaher Corporation & Subsidiaries Executive Deferred Incentive Program.

At another meeting held on March 26, 2003, the Committee approved an award of performance shares to the Company's President and Chief Executive Officer, subject to approval by the Company's shareholders at the 2003 Annual Meeting. The terms and conditions of the award of performance shares are described under Proposal 5: Approval of Award of Performance Shares to the Company's President and Chief Executive Officer.

The Committee has considered the impact of provisions of the federal income tax laws that in certain circumstances disallow compensation deductions in excess of \$1 million for any year with respect to the executive officers named in proxy statements of publicly traded companies. The Securities and Exchange Commission requires compensation committees of public companies to state their compensation policies relative to this \$1 million deduction limit.

In addition, the Committee has designed the program for awarding 2003-2007 incentive compensation to executive officers (including Group Executives) and the award of performance shares to the President and Chief Executive Officer so that such bonuses will comply with an exception to the \$1 million deduction limit for performance-based compensation. Accordingly, the full amount of any such bonus payments for 2003-2007, and the payment of any Company Common Stock to the President and Chief Executive Officer pursuant to the award of performance shares, should be deductible. One of the requirements of this exception is that shareholders approve certain material terms under which the bonus is to be paid. In this regard, the Company's shareholders approved the material terms used for calculating the 1998-2002 bonus awards for the Company's executive officers, other than Group Executives, at the 1998 Annual Meeting.

The report is not deemed to be soliciting material or to be filed with the Securities and Exchange Commission (the SEC) or subject to the SEC's proxy rules or to the liabilities of Section 18 of the Securities Exchange Act of the 1934, and the report shall not be deemed to be incorporated by reference into any prior or subsequent filing by the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934.

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Compensation and Organization Committee of the Board of Directors

A. Emmet Stephenson, Jr.

Mortimer M. Caplin

Donald J. Ehrlich

Alan G. Spoon

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee comprises three independent directors and operates under a written charter. The Committee recommends to the Board of Directors the selection of the Company's independent accountant.

In fulfilling its responsibilities, the Committee has reviewed and discussed the audited consolidated financial statements of the Company for the fiscal year ended December 31, 2002 with the Company's management and Ernst & Young. The Committee has also reviewed and discussed with the Company's management and Ernst & Young such other matters as it has deemed appropriate, including provisions of the Sarbanes-Oxley Act of 2002 and rules adopted or proposed to be adopted by the Securities and Exchange Commission and the New York Stock Exchange.

The Committee has discussed with Ernst & Young the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees. In addition, the Committee has received the written disclosures and the letter from Ernst & Young required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees and has discussed with Ernst & Young its independence from the Company and its management.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors that the audited consolidated financial statements for the Company for the fiscal year ended December 31, 2002 be included in the Annual Report on Form 10-K for the year ended December 31, 2002 for filing with the SEC.

The report is not deemed to be soliciting material or to be filed with the SEC or subject to the SEC's proxy rules or to the liabilities of Section 18 of the Securities Exchange Act of the 1934, and the report shall not be deemed to be incorporated by reference into any prior or subsequent filing by the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Audit Committee of the Board of Directors

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Walter G. Lohr, Jr.

Mortimer M. Caplin

Donald J. Ehrlich

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STOCK PERFORMANCE CHART

As part of proxy statement disclosure requirements mandated by the Securities and Exchange Commission, the Company is required to provide a five-year comparison of the cumulative total shareholder return on the Company Common Stock with that of a broad equity market index and either a published industry index or a Company constructed peer group index. This graph is not deemed to be soliciting material or to be filed with the SEC or subject to the SEC's proxy rules or to the liabilities of Section 18 of the Securities Exchange Act of 1934, and the graph shall not be deemed to be incorporated by reference into any prior or subsequent filing by the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934.

The following chart compares the yearly percentage change in the cumulative total shareholder return in the Company Common Stock during the five years ended December 31, 2002 with the cumulative total return on the S&P 500 Index (the equity index) and the S&P Industrial Machinery Index (the peer index). The comparison assumes \$100 was invested on December 31, 1997 in the Company Common Stock and in both of the above indices with reinvestment of dividends. The Company is using the S&P 500 Industrial Machinery Index as the peer index in the stock performance chart, rather than the S&P 500 Manufacturing Index which was used in the proxy statement for the 2002 annual meeting, because the S&P 500 Manufacturing Index is no longer available.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During 2002 the Company received legal services in the amount of \$1,243 from the law firm of Caplin & Drysdale, of which Mr. Caplin, a Director, is a member, and in the amount of \$90,455 from the law firm of Hogan & Hartson, of which Mr. Lohr, a Director, is a partner. The amount of such fees paid by the Company in 2002 was in each case less than five-percent of the firm's, and of the Company's, gross revenues.

During 2002 the Company shared the expenses of a joint technology project with the firm of Polaris Venture Partners, of which Mr. Spoon, a Director, is Managing General Partner. The Company's share of the project expenses in 2002 was \$149,205. This joint technology project was terminated in 2002.

In connection with the employment agreement entered into with Mr. Culp in July 2000, the Company extended a \$500,000 loan to Mr. Culp. For further information, please see the "Employment Contracts and Termination of Employment" section of this proxy statement.

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In 2000 the Company purchased the motion control businesses of Warner Electric Company. These businesses were purchased from an entity that was controlled by Steven M. Rales and Mitchell P. Rales, the Company's Chairman of the Board and Chairman of the Executive Committee, respectively. The transaction was unanimously recommended by an independent committee of the Company's Board of Directors, who received an opinion from an independent financial advisor as to the fairness of the transaction. Total consideration was approximately \$147 million. In 2002 the Company submitted an indemnity claim to Warner Electric Company pursuant to the terms of the contract with respect to an environmental remediation matter involving approximately \$1 million, in order to take advantage of indemnity rights that Warner Electric may have against a third party with respect to such matter. Such indemnification claim has not yet been resolved.

Colfax Corporation (Colfax), of which Steven M. and Mitchell P. Rales are controlling shareholders, acts as the primary distributor/reseller of the Company's wrap spring clutch product line in Europe. This product line was one of the assets acquired by the Company in connection with its acquisition of the motion control businesses of Warner Electric Group, Inc. in 2000, and the distribution/resale arrangement predates the Company's acquisition of this product line. During 2002, the Company sold approximately \$3.0 million of products to Colfax in connection with this distribution arrangement, at the same discount to list price offered by the Company to other distributors with respect to such product line. In January 2002, the Company entered into a new, three-year agreement with Colfax with respect to the distribution and resale of this product line which essentially extended the existing arrangement between the parties. The Company believes that this is an advantageous distribution arrangement for the Company. The Company also leases from Colfax an office in Richmond, Virginia for one of the Company's officers and reimburses Colfax for the salary of such officer's administrative assistant. The Company paid Colfax a sum of \$72,000 in 2002 under this arrangement.

Each of the Company, on the one hand, and Equity Group Holdings LLC and its affiliates, on the other hand (EGH), leases a plane for business purposes. Each party pays the variable costs of operating its own plane, such as expenses for fuel, landing fees and specific maintenance requirements. In order to achieve efficiencies of scale and reduce costs, the Company and EGH share on a proportionate basis certain fixed expenses related to the operation and maintenance of their respective planes, including expenses related to the compensation of the flight crews that staff the planes, training costs for these flight crews, rental fees for hangar and office space and costs of shared supplies. The Company believes that this cost-sharing arrangement results in lower costs to the Company than if the Company operated its flight department on a stand-alone basis. With respect to the year ended December 31, 2002, EGH reimbursed the Company for its share of such fixed expenses in the amount of approximately \$521,000, which represented one half of the aggregate shared expenses for the period. In addition, each of the Company and EGH occasionally uses the other's plane in the event that the party's own plane is not available for use, for example as a result of maintenance requirements or for training purposes. Under this arrangement, over the course of any given calendar year, each party uses the other's plane for approximately the same amount of flight hours.

In 2002, Equity Group Holdings LLC and its affiliates paid the Company the sum of approximately \$116,000 in full reimbursement for the payment by the Company of all or a portion of the salaries of, and the cost of benefits to, three employees of Equity Group Holdings LLC and its affiliates, and the Company in 2002 also provided office space to these individuals.

PROPOSAL 2.

RATIFICATION OF INDEPENDENT ACCOUNTANT

The Board of Directors has selected Ernst & Young LLP, an international accounting firm of independent certified public accountants, to act as independent accountant for the Company and its consolidated subsidiaries for the year ending December 31, 2003. The Company is asking the shareholders to ratify the selection of Ernst & Young LLP as our independent accountant for the year ending December 31, 2003.

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Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

For information concerning fees paid to Ernst & Young LLP in 2002, see Fees Paid to Independent Accountant below.

Recommendation Of The Board Of Directors

THE BOARD OF DIRECTORS OF THE COMPANY UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR RATIFICATION OF THE SELECTION OF ERNST & YOUNG LLP TO SERVE AS INDEPENDENT ACCOUNTANT FOR THE COMPANY FOR 2003.

PROPOSAL 3.

APPROVAL OF

THE AMENDED AND RESTATED DANAHER CORPORATION & SUBSIDIARIES

EXECUTIVE DEFERRED INCENTIVE PROGRAM

The Compensation and Organization Committee of the Board of Directors has approved the Amended and Restated Danaher Corporation & Subsidiaries Executive Deferred Incentive Program, referred to as the New EDIP, and has recommended to the Board of Directors that the New EDIP be, and the Board of Directors has directed that the New EDIP be, submitted to the shareholders for approval. The purpose of the New EDIP is to attract and retain competent executive management associates of the Company and its designated subsidiaries by providing them with flexible compensation arrangements. If approved by shareholders, the New EDIP will become effective on August 1, 2003. The Company may issue shares of Company Common Stock to meet any distribution requirement under the New EDIP, up to 1,000,000 shares, as provided in the New EDIP. If shareholder approval is not obtained, the EDIP as currently in effect will remain in effect and the Company will consider alternatives, if any, for achieving some or all of the terms proposed to be included in the New EDIP. Material terms of the EDIP as currently in effect are set forth in connection with the Equity Compensation Plan Table disclosure above.

Summary of the New EDIP

The New EDIP is a non-qualified, unfunded incentive program. The full text of the New EDIP is set forth in Annex A to this Proxy Statement. The following summary of the material features of the New EDIP is qualified in its entirety by reference to the text of the New EDIP.

Administration

The New EDIP will be administered by the Company's Corporate Director, Benefits (the Administrator). The Company may remove the Administrator and appoint another individual or committee as Administrator. The Administrator has the power and authority in its sole and absolute discretion to, among other things (1) construe and interpret the New EDIP and make equitable adjustments for any mistakes or errors made in the administration of the New EDIP, including correcting any incorrect allocations to any account, and (2) determine all questions arising in the administration of the New EDIP. The Administrator is also authorized to enforce and administer the New EDIP.

Subject to any required shareholder approval, the Company through its Board of Directors may amend or terminate the New EDIP at any time in accordance with the New EDIP's terms. No amendment or termination of the New EDIP, however, may adversely affect the right to payment of a benefit to which a participant is entitled

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as of the date of such amendment or termination, reduce in the balance in a participant's account or reduce of the percentage of such balance that is vested as of such date, unless such amendment or termination of the New EDIP is reasonably required to comply with applicable law or to preserve the tax treatment of benefits under the New EDIP or is consented to by the affected participant.

Generally, the employees eligible to participate in the New EDIP (numbering approximately 135 persons as of the date of this proxy statement) are executive management associates of the Company and its subsidiaries whom the Administrator selects for participation and who voluntarily elect to participate.

Voluntary Deferrals

Each eligible employee will be provided an opportunity to make an irrevocable deferral election with respect to all or a portion of his or her salary and bonus in a given plan year. Any compensation deferred is withheld from the participant's salary or bonus, as applicable, and credited to the participant's deferral account in the EDIP (deferral account).

The Administrator will maintain a deferral account in the name of each participant to record the amounts of salary and bonus deferred. Participants may choose among alternative earnings rates for all or part of their deferral accounts, which alternatives are equal to the earnings rates offered by the investment options offered under the Company's 401(k) plan (except for such investment options as may only be offered under a qualified plan), including an investment option that tracks the market value of Danaher common stock. Under the current EDIP, participants have a choice of two investment alternatives, the fixed rate investment option and the Danaher stock investment option. Because the New EDIP is unfunded, the amounts deferred under the New EDIP will not actually be invested in the investments selected by the participant. Rather, the Administrator will credit (or charge) to the participants' deferral accounts earnings (or losses) on such deferred amounts in an amount equal to the actual rate of return or loss on the selected investments.

No amounts credited to the Danaher stock investment option in any participant's deferral account may be transferred out of the Danaher stock investment option at any time before distribution. Participants who fail to specify an investment election upon filing a deferral election will have their deferred amounts credited to a fixed rate investment option or such other investment option as the Administrator designates.

The Administrator may, in its sole discretion, identify certain participants who may elect to transfer into the participant's rollover account in the New EDIP (the rollover account) such amount as the Administrator may determine in its sole discretion. Any amounts transferred into a participant's rollover account are treated in substantially the same manner as amounts in a participant's deferral account, including with respect to the right to elect which investment options will apply to such amounts.

Company Contributions

Beginning as of January 1, 2004, Company contributions to the New EDIP will occur in one-year cycles. As of the beginning of each plan year or such later date as of which participation begins, the Administrator will credit to such participant's benefit account in the New EDIP (the benefit account) an amount equal to the quotient of (1) the product of (a) such participant's base salary and target bonus for such plan year, and (b) a percentage determined by the Administrator and based on the participant's years of participation in the plan, and (2) the closing price of the Company Common Stock as reported on the New York Stock Exchange on the business day immediately preceding the date the credit is made. All Company contributions made to a participant's benefit account will be credited to the Danaher stock investment option, and no amounts so

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credited to the Danaher stock investment option in any participant's benefit account may be transferred out of the Danaher stock investment option at any time prior to distribution.

As of the last day of each plan year and as soon as administratively possible after such date, the Administrator will also credit to a participant's deferral account such amount as the Administrator may determine.

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in its sole discretion to compensate participants for contributions that the Company would have made under the 401(k) plan or any other qualified plan maintained by the Company, if the participant had not deferred the salary or bonus for such year. Participants must satisfy certain conditions in order to be eligible to have such a make-up amount credited to their deferral account, including but not limited to the requirements that the participant remain eligible to participate in the New EDIP as of the last day of the plan year and that the participant have completed at least one year of service as of July 1 of such plan year.

Option Shares Accounts

A participant may elect before the last day of a plan year to defer any gain realized as a result of any exercise by the participant during the last six months of the next succeeding plan year of any options granted under any Company employee stock option plan (referred to as "options"), or elect before the last day of the sixth month of a plan year to defer any gain realized as a result of any exercise of any options during the first six months of the next succeeding plan year, where "gain" as of any particular time means the difference between the most recent closing price of the Company Common Stock as reported on the New York Stock Exchange, and the exercise price per share of the option. A participant cannot revoke any option gain deferral election. If the participant has made such an election and remains eligible under the New EDIP on the option exercise date, the Administrator will credit the participant's option shares account in the New EDIP (the "option shares account") with a number of notional shares equal to the quotient of the participant's gain from the exercise of the options and the most recent closing price of the Company Common Stock as reported on the New York Stock Exchange. The Administrator will only credit such amounts to the participant's option shares account if (1) the participant delivers to the Administrator shares of Company Common Stock that the participant has held for at least six months with an aggregate value equal to the aggregate exercise price of the options exercised (or proof that the participant owns such shares), plus a check for any federal employment taxes applicable to the deferral of the gain, (2) the participant exercises options for at least 1,000 shares, (3) the participant has not already exercised any options in the same calendar month, and (4) the gain is at least \$25,000.

If the Company pays a dividend on its stock, with respect to each participant who has an option shares account, the Administrator will credit the participant's option shares account with a number of notional shares equal to the quotient of (1) the product of (A) the dividend amount per share of Company Common Stock and (B) the number of notional shares credited to his or her option shares account and (2) the closing price of the Company Common Stock as reported on the New York Stock Exchange on the day immediately preceding the dividend payment date.

Danaher Stock Investment Option

Because the New EDIP is unfunded, amounts credited to the Danaher stock investment option and to the option shares account in the New EDIP will actually be credited with notional shares rather than shares of Company Common Stock. The number of notional shares credited to each participant's account will be equal to the amount to be credited, divided by the closing price of the Company Common Stock as reported on the New York Stock Exchange on the day immediately preceding the date as of which such credit is made. Amounts credited to the Danaher stock investment option in a participant's account have no legal relation to a share of Company Common Stock and, accordingly, no participant who has a balance in the Danaher stock investment option in his or her account will be entitled to any dividend, voting, or other rights of a shareholder of Company Common Stock with respect to the balance in such account.

The number and kind of notional shares deemed credited to the Danaher stock investment option of a participant's account is subject to equitable adjustment in the event of a stock dividend, stock split, share combination, spin-off, reorganization, recapitalization, merger or other transaction involving the Company or its outstanding securities as the Board of Directors determines to be appropriate.

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No amounts credited to the Danaher stock investment option in the New EDIP, whether from voluntary deferrals or Company contributions, may be transferred out of the Danaher stock investment option at any time prior to distribution.

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Vesting

Participants are at all times fully vested in amounts credited to their deferral accounts, option shares accounts and rollover accounts. With respect to Company contributions to a participant's benefit account, a participant will vest in such amounts as follows. If the participant has both attained age fifty-five and completed at least five years of service with Danaher Corporation or its subsidiaries, the participant's vesting percentage shall be 100%. If the participant does not satisfy the conditions described in the preceding sentence, the participant's vesting percentage, after the participant has completed at least five years of participation in the New EDIP, will be 10% for each year of participation completed beyond such five year period. If a participant has died, the participant's vesting percentage will be 100%. Participants who were employees of the Company or its subsidiaries as of January 1, 1995 and were participants in the EDIP when it was begun in March 1995 (initial participants) vest in the Company contribution in the new EDIP in accordance with the same vesting terms applicable to participants who are not initial participants, except that the initial participant vests immediately in two-thirds of the Company contribution as of the end of the cycle in which such contribution was made. Once the initial participant reaches the date by which his or her vesting percentage under the sta