COMMSCOPE INC
Form 10-Q
July 28, 2010
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2010

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-12929

CommScope, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**36-4135495**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1100 CommScope Place, SE

Hickory, North Carolina

(Address of principal executive offices)

28602

(Zip Code)

(828) 324-2200

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of July 21, 2010 there were 94,718,484 shares of Common Stock outstanding.

CommScope, Inc.

Form 10-Q

June 30, 2010

Table of Contents

Table of Contents

CommScope, Inc.

Condensed Consolidated Statements of Operations

(Unaudited In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net sales	$ 838,134	$ 783,708	$ 1,559,740	$ 1,525,959
Operating costs and expenses:				
Cost of sales	585,937	554,575	1,102,702	1,128,101
Selling, general and administrative	116,454	98,951	229,039	200,156
Research and development	30,046	27,105	59,854	56,067
Amortization of purchased intangible assets	20,764	20,825	41,528	41,649
Restructuring costs	3,572	8,117	51,424	16,820
Total operating costs and expenses	756,773	709,573	1,484,547	1,442,793
Operating income	81,361	74,135	75,193	83,166
Other income (expense), net	(1,179)	(503)	73	(10,533)
Interest expense	(22,500)	(43,183)	(47,030)	(73,810)
Interest income	1,324	1,028	2,801	2,507
Income before income taxes	59,006	31,477	31,037	1,330
Income tax expense	(14,763)	(16,050)	(8,910)	(6,425)
Net income (loss)	$ 44,243	$ 15,427	$ 22,127	$ (5,095)
Earnings (loss) per share:				
Basic	$ 0.47	$ 0.19	$ 0.23	$ (0.07)
Diluted	$ 0.43	$ 0.18	$ 0.23	$ (0.07)
Weighted average shares outstanding:				
Basic	94,551	80,648	94,424	76,249
Diluted	106,504	93,209	95,864	76,249

See notes to unaudited condensed consolidated financial statements.

Table of Contents

CommScope, Inc.

Condensed Consolidated Balance Sheets

(Unaudited In thousands, except share amounts)

	June 30, 2010	December 31, 2009
Assets		
Cash and cash equivalents	$ 478,174	$ 662,440
Short-term investments	99,157	40,465
Total cash, cash equivalents and short-term investments	577,331	702,905
Accounts receivable, less allowance for doubtful accounts of $12,724 and $16,572, respectively	672,115	598,959
Inventories, net	356,906	314,047
Prepaid expenses and other current assets	41,735	61,435
Deferred income taxes	102,650	67,610
Total current assets	1,750,737	1,744,956
Property, plant and equipment, net	364,518	412,388
Goodwill	995,002	995,037
Other intangibles, net	672,612	721,390
Other noncurrent assets	68,167	67,545
Total Assets	$ 3,851,036	$ 3,941,316
Liabilities and Stockholders Equity		
Accounts payable	$ 246,228	$ 200,869
Other accrued liabilities	313,129	247,447
Current portion of long-term debt	3,393	140,810
Total current liabilities	562,750	589,126
Long-term debt	1,351,247	1,403,668
Deferred income taxes	107,113	143,132
Pension and postretirement benefit liabilities	147,198	134,770
Other noncurrent liabilities	119,910	121,637
Total Liabilities	2,288,218	2,392,333
Commitments and contingencies		
Stockholders Equity:		
Preferred stock, $.01 par value; Authorized shares: 20,000,000; Issued and outstanding shares: None at June 30, 2010 or		

December 31, 2009		
Common stock, $.01 par value; Authorized shares: 300,000,000; Issued and outstanding shares: 94,679,232 at June 30, 2010 and 94,217,797 at December 31, 2009	1,050	1,046
Additional paid-in capital	1,382,396	1,361,156
Retained earnings	417,011	394,884
Accumulated other comprehensive income (loss)	(87,894)	(58,434)
Treasury stock, at cost: 10,351,056 shares at June 30, 2010 and 10,348,195 shares at December 31, 2009	(149,745)	(149,669)
Total Stockholders Equity	1,562,818	1,548,983
Total Liabilities and Stockholders Equity	$ 3,851,036	$ 3,941,316

See notes to unaudited condensed consolidated financial statements.

Table of Contents

CommScope, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited In thousands)

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Operating Activities:		
Net income (loss)	$ 22,127	$ (5,095)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	94,982	104,623
Equity-based compensation	18,229	10,173
Deferred income taxes	(66,537)	(16,039)
Non-cash restructuring charges	13,973	
Non-cash interest expense on 3.50% convertible debentures		12,004
Loss on conversion of debt securities		8,649
Changes in assets and liabilities:		
Accounts receivable	(89,784)	70,185
Inventories	(49,741)	130,050
Prepaid expenses and other assets	15,797	(5,225)
Accounts payable and other liabilities	132,652	(82,596)
Other	(185)	(2,889)
Net cash provided by operating activities	91,513	223,840
Investing Activities:		
Additions to property, plant and equipment	(18,085)	(24,295)
Proceeds from disposal of property, plant and equipment	6,654	672
Net purchases of short-term investments	(58,692)	
Cash paid for acquisitions		(142)
Net cash used in investing activities	(70,123)	(23,765)
Financing Activities:		
Principal payments on long-term debt	(188,789)	(757,455)
Proceeds from the issuance of long-term debt		388,125
Proceeds from the issuance of common stock		220,128
Long-term debt financing costs		(12,588)
Proceeds from the issuance of common shares under equity-based compensation plans	2,223	298
Excess tax benefits from equity-based compensation	824	73
Common shares repurchased under equity-based compensation plans	(76)	
Net cash used in financing activities	(185,818)	(161,419)
Effect of exchange rate changes on cash and cash equivalents	(19,838)	1,745

Change in cash and cash equivalents	(184,266)	40,401
Cash and cash equivalents, beginning of period	662,440	412,111
Cash and cash equivalents, end of period	$ 478,174	$ 452,512

See notes to unaudited condensed consolidated financial statements.

Table of Contents

CommScope, Inc.

Condensed Consolidated Statements of Stockholders Equity

and Comprehensive Income (Loss)

(Unaudited In thousands, except share amounts)

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Number of common shares outstanding:		
Balance at beginning of period	94,217,797	70,798,864
Issuance of shares under equity-based compensation plans	154,192	112,876
Shares repurchased under equity-based compensation plans	(2,861)	
Issuance of shares to employee benefit plan	310,104	105,261
Issuance of shares for conversion of convertible debentures		12,092,790
Issuance of shares for stock offering		10,465,000
Balance at end of period	94,679,232	93,574,791
Common stock:		
Balance at beginning of period	$ 1,046	$ 811
Equity-based compensation	1	1
Issuance of shares to employee benefit plan	3	1
Issuance of shares for conversion of convertible debentures		121
Issuance of shares for stock offering		104
Balance at end of period	$ 1,050	$ 1,038
Additional paid-in capital:		
Balance at beginning of period	$ 1,361,156	$ 969,976
Equity-based compensation	11,786	8,507
Issuance of shares to employee benefit plan	8,662	2,624
Tax benefit from shares issued under equity-based compensation plans	792	73
Issuance of shares for conversion of convertible debentures		142,584
Issuance of shares for stock offering		220,024
Balance at end of period	$ 1,382,396	$ 1,343,788
Retained earnings:		
Balance at beginning of period	$ 394,884	$ 317,085
Net income (loss)	22,127	(5,095)
Balance at end of period	$ 417,011	$ 311,990
Accumulated other comprehensive income (loss):		
Balance at beginning of period	$ (58,434)	$ (132,411)
Other comprehensive income (loss), net of tax	(29,460)	26,067
Balance at end of period	$ (87,894)	$ (106,344)

Treasury stock, at cost:		
Balance at beginning of period	$ (149,669)	$ (147,103)
Net shares (repurchased) issued under equity-based compensation plans	(76)	416
Balance at end of period	$ (149,745)	$ (146,687)
Total stockholders equity	$ 1,562,818	$ 1,403,785

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Comprehensive income (loss):				
Net income (loss)	$ 44,243	$ 15,427	$ 22,127	$ (5,095)
Other comprehensive income (loss), net of tax:				
Foreign currency (loss) gain	(22,747)	37,741	(32,729)	15,679
Gain on derivative financial instruments	4,938	6,545	7,646	10,217
Pension and postretirement benefit activity	3,129	117	(4,377)	231
Gain (loss) on available-for-sale investments		502		(60)
Total other comprehensive income (loss), net of tax	(14,680)	44,905	(29,460)	26,067
Total comprehensive income (loss)	$ 29,563	$ 60,332	$ (7,333)	$ 20,972

See notes to unaudited condensed consolidated financial statements.

Table of Contents

CommScope, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(Unaudited In Thousands, Unless Otherwise Noted)

1. BACKGROUND AND BASIS OF PRESENTATION
Background

CommScope, Inc., along with its direct and indirect subsidiaries (CommScope or the Company), is a world leader in infrastructure solutions for communication networks. Through its Andrew Solutions brand, the Company is a global leader in radio frequency subsystem solutions for wireless networks. Through its SYSTIMAX® and Uniprise® brands, CommScope is also a world leader in network infrastructure solutions, including cables and connectivity, enclosures, intelligent software and network design services for business enterprise applications. CommScope is also the premier manufacturer of coaxial cable for broadband cable television networks and one of the leading North American providers of environmentally secure cabinets for digital subscriber line (DSL), fiber-to-the-node and wireless applications.

Basis of Presentation

The condensed consolidated balance sheet as of June 30, 2010, the condensed consolidated statements of operations and comprehensive income (loss) for the three and six months ended June 30, 2010 and 2009, and the condensed consolidated statements of cash flows and stockholders equity for the six months ended June 30, 2010 and 2009 are unaudited and reflect all adjustments of a normal recurring nature that are, in the opinion of management, necessary for a fair presentation of the interim period financial statements. The results of operations for the interim period are not necessarily indicative of the results of operations to be expected for the full year.

The unaudited interim condensed consolidated financial statements of CommScope have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. The significant accounting policies followed by the Company are set forth in Note 2 to the consolidated financial statements within the Company s Annual Report on Form 10-K for the year ended December 31, 2009 (the 2009 Form 10-K). There were no changes in the Company s significant accounting policies during the three or six months ended June 30, 2010, other than changing the annual impairment test date for goodwill and other indefinite-lived intangible assets (discussed below) and the adoption of new accounting guidance regarding the consolidation of variable interest entities (Accounting Standards Update 2009-17). These changes did not have an impact on the Company s condensed consolidated financial statements. In addition, the Company reaffirms the use of estimates in the preparation of the financial statements as set forth in the 2009 Form 10-K. These interim condensed consolidated financial statements should be read in conjunction with the Company s audited consolidated financial statements and notes thereto included in the 2009 Form 10-K.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Goodwill and Other Intangible Assets

Since the Company adopted the specific provisions of ASC 350, *Intangibles Goodwill and Other* (formerly SFAS No. 142, *Goodwill and Other Intangible Assets*), effective January 1, 2002, the annual goodwill and indefinite-lived intangible asset impairment tests of the January 1, 2002 goodwill and indefinite-lived intangible asset balances have been performed as of August 31 of each year, while the goodwill related to the Andrew acquisition has been tested as of October 1. As a result of the significance of the Andrew acquisition on December 27, 2007, and the impact of the acquisition to the recorded goodwill balance, management reassessed and, as of March 31, 2010, changed its annual impairment testing date from August 31 to October 1 for the entire goodwill and indefinite-lived intangible asset balances. The Company s management believes this change in testing date is preferable to allow additional time to plan and execute its review of the completeness and accuracy of the impairment testing process given the significant increase in goodwill as a result of the Andrew acquisition. The Company does not believe that this change in annual impairment testing dates will accelerate or delay an impairment charge or otherwise avoid an impairment charge. The Company will apply the new annual impairment testing date prospectively following the August 31, 2010 annual impairment test.

In addition to the annual impairment test, goodwill and other intangible assets with indefinite lives are tested on an interim basis if events have occurred or circumstances exist that indicate the carrying value of these intangible assets may no longer be recoverable. During the three months ended June 30, 2010, as a result of operating performance for two reporting units that was significantly below expectations, the Company determined there were indications of potential goodwill impairment. Therefore, step one impairment tests were performed. The estimated fair values of the reporting units, as determined by these tests, were in excess of their carrying values, which indicated that no goodwill impairment existed as of June 30, 2010.

Table of Contents

Concentrations of Risk

Net sales to Anixter International Inc. and its affiliates (Anixter) accounted for approximately 13% and 15% of the Company s total net sales during the three and six months ended June 30, 2010, respectively. Sales to Anixter primarily originate within the Enterprise segment. Other than Anixter, no customer accounted for 10% or more of the Company s total net sales for the three and six months ended June 30, 2010. No customer accounted for 10% or more of the Company s total net sales for the three or six months ended June 30, 2009.

Accounts receivable from Anixter and Alcatel-Lucent each represented approximately 14% of net accounts receivable as of June 30, 2010. No other customer accounted for 10% or more of the Company s net accounts receivable as of June 30, 2010.

Product Warranties

The Company recognizes a liability for the estimated claims that may be paid under its customer warranty agreements to remedy potential deficiencies in quality or performance of the Company s products. These product warranties extend over periods ranging from one to twenty-five years from the date of sale, depending upon the product subject to the warranty. The Company records a provision for estimated future warranty claims as cost of sales based upon the historical relationship of warranty claims to sales and for specifically-identified warranty issues. The Company bases its estimates on assumptions that are believed to be reasonable under the circumstances and revises its estimates, as appropriate, when events or changes in circumstances indicate that revisions may be necessary.

The following table summarizes the activity in the product warranty accrual, included in other accrued liabilities.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Product warranty accrual, beginning of period	$ 28,632	$ 30,421	$ 27,625	$ 32,866
Provision for warranty claims	2,710	4,534	6,302	9,489
Warranty claims paid	(1,990)	(4,761)	(4,575)	(12,161)
Product warranty accrual, end of period	$ 29,352	$ 30,194	$ 29,352	$ 30,194

Commitments and Contingencies

As a result of a 2007 jury verdict in favor of TruePosition, Inc. and subsequent post-trial proceedings, Andrew LLC (a wholly owned subsidiary of CommScope) is subject to a civil judgment in the amount of $48.9 million (including accrued interest) for patent infringement. The Company has recorded a liability for this amount as of June 30, 2010. The trial court also granted a permanent injunction against further infringing sales. CommScope disagrees with these determinations and continues to believe that the products at issue do not infringe TruePosition s patent. CommScope s appeal is currently pending before the United States Court of Appeals for the Federal Circuit. Subject to the outcome of this and possible additional legal actions that may be taken by the Company and/or TruePosition, the ultimate resolution of this litigation may be materially different than the Company s current estimate, which does not include legal fees the Company may incur in further appeals or other proceedings.

On May 12, 2010, a putative class action lawsuit asserting claims under the Securities Exchange Act of 1934 (the 1934 Act), was filed in the United States District Court for the Western District of North Carolina against CommScope and certain current and former members of management. The lawsuit alleges violations of Sections 10(b) and 20(a) of the 1934 Act and SEC Rule 10b-5. In particular, the lawsuit alleges that during the putative class period, from April 29, 2008 to October 30, 2008, the Company made false and misleading statements and/or omissions about its financial condition, specifically by allegedly failing to disclose weakness in its current and future sales prospects in the Company s cabinets and apparatus business. The lawsuit was brought on behalf of all those who purchased CommScope common stock during the putative class period, and seeks, among other relief, unspecified damages and interest. CommScope believes that the allegations in this action are without merit and intends to vigorously defend itself and the individual defendants in this action. The Company is unable to make a reasonable estimate of the amount or range of loss that could result from an unfavorable outcome in this matter.

In addition to the litigation described above, CommScope is either a plaintiff or a defendant in pending legal matters in the normal course of business; however, management believes none of these legal matters, other than the litigation described above, will have a material adverse effect on the Company s financial statements upon final disposition. In addition, CommScope is subject to various federal, state, local and foreign laws and regulations governing the use, discharge, disposal and remediation of hazardous materials. Compliance with current laws and regulations has not had, and is not expected to have, a materially adverse effect on the Company s financial condition or results of operations.

Table of Contents

As of June 30, 2010, the Company had commitments of $48.3 million to purchase metals that are expected to be consumed in normal production during 2010. In the aggregate, these commitments are at prices approximately 9% above market prices as of June 30, 2010.

Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the applicable period. Diluted earnings (loss) per share is based on net income (loss) adjusted for after-tax interest and amortization of debt issuance costs related to convertible debt, if dilutive, divided by the weighted average number of common shares outstanding adjusted for the dilutive effect of stock options, restricted stock units, performance share units and convertible debt.

Below is a reconciliation of earnings (loss) and weighted average common shares and potential common shares outstanding for calculating diluted earnings (loss) per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Numerator:				
Net income (loss) for basic earnings (loss) per share	$ 44,243	$ 15,427	$ 22,127	$ (5,095)
Effect of assumed conversion of convertible debt (a)	1,740	1,202		
Income (loss) applicable to common shareholders for diluted earnings (loss) per share	$ 45,983	$ 16,629	$ 22,127	$ (5,095)
Denominator:				
Weighted average number of common shares outstanding for basic earnings (loss) per share	94,551	80,648	94,424	76,249
Effect of dilutive securities:				
Employee stock options (b)(c)	630	480	633	
Restricted stock units and performance share units (b)	868	810	807	
Convertible debt (a)(b)	10,455	11,271		
Weighted average number of common and potential common shares outstanding for diluted earnings (loss) per share	106,504	93,209	95,864	76,249

(a) Incremental interest expense and shares associated with convertible debt.

(b) The calculation of diluted earnings per share for the six months ended June 30, 2010 excludes the dilutive effect of convertible debt (10.5 million shares) because it would have increased the earnings per share. The calculation of diluted earnings (loss) per share for the six months ended June 30, 2009 excludes the dilutive effect of stock options (0.2 million shares), restricted stock units and performance share units (0.5 million shares), and convertible debt (10.1 million shares) because they would have decreased the loss per share.

(c) Options to purchase approximately 1.5 million and 1.4 million common shares were excluded from the computation of diluted earnings per share for the three and six months ended June 30, 2010, respectively, because they would have been anti-dilutive. Options to purchase approximately 1.1 million and 1.6 million common shares were excluded from the computation of diluted earnings (loss) per share for the three and six months ended June 30, 2009, respectively, because they would have been anti-dilutive.

Income Taxes

The Company s effective income tax rate was 25.0% and 28.7% for the three and six months ended June 30, 2010, respectively, compared to 51.0% and 483.1% for the three and six months ended June 30, 2009, respectively. Income tax expense for the three and six months ended June 30, 2010 includes a $2.6 million benefit resulting from adjustments to valuation allowances related to various matters and a $2.5 million benefit related to adjustments to the estimated tax impact of repatriation of foreign earnings. Partially offsetting these benefits for the six months ended June 30, 2010 is a charge of $2.3 million related to changes to the tax deductibility of prescription drug benefits to certain retirees (Medicare Part D) made as part of the health care reform legislation enacted in March 2010. Income before income taxes for the three and six months ended June 30, 2009 included non-deductible charges related to the conversion of convertible debentures of $11.3 million and $19.9 million, respectively. The Company s effective tax rate for the three and six months ended June 30, 2010 and 2009 reflects the benefits derived from significant operations outside the U.S., which are generally taxed at rates lower than the U.S. statutory rate of 35%. These benefits are partially offset by a provision of U.S. taxes on a portion of current year non-U.S. earnings in anticipation of repatriation.

Table of Contents

Accounting Standards Not Yet Adopted

In September 2009, the FASB ratified the final consensuses reached by the Emerging Issues Task Force regarding revenue arrangements with multiple deliverables and software revenue recognition. The consensus reached on arrangements with multiple deliverables addresses how consideration should be allocated to different units of accounting and removes the previous criterion that entities must use objective and reliable evidence of fair value in separately accounting for deliverables. The consensus reached on software revenue recognition excludes products containing both software and non-software components that function together to deliver the product s essential functionality from the scope of current revenue recognition guidance for software products. Although these consensuses are effective for the Company as of January 1, 2011, early adoption is permitted with expanded disclosures and application of the adjustments to the beginning of the fiscal year of adoption. The Company is currently assessing the timing of adoption. The Company expects to adopt these consensuses on a prospective basis which would impact the timing of revenue recognition for all agreements entered into or materially modified after January 1 of the year of adoption.

2. SUPPLEMENTAL FINANCIAL STATEMENT INFORMATION

Short-term Investments

As of June 30, 2010, the Company s short-term investments were composed of $60.1 million of held-to-maturity securities that mature within one year and $39.1 million of available for sale securities that consist of corporate debt obligations. See Note 5 for discussion of the fair value of these securities.

As of June 30, 2010, the Company s held-to-maturity short-term investments were composed of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Federal agency notes	$30,003	$ 14	$	$30,017
Corporate debt obligations	30,104		(21)	30,083
	$60,107	$ 14	$ (21)	$60,100

As of December 31, 2009, the Company s held-to-maturity short-term investments were composed of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Federal agency notes	$30,008	$	$ (55)	$29,953
Corporate debt obligations	10,457		(10)	10,447
	$40,465	$	$ (65)	$40,400

Inventories

	June 30, 2010	December 31, 2009
Raw materials	$ 95,950	$ 85,443
Work in process	83,881	84,488

Finished goods		177,075		144,116
	$	356,906	$	314,047

Other Current Accrued Liabilities

		June 30, 2010		December 31, 2009
Compensation and employee benefit liabilities	$	77,336	$	48,734
Litigation reserve		48,949		48,558
Deferred revenue		36,575		36,538
Warranty reserve		29,352		27,625
Restructuring reserve		36,995		6,140
Other		83,922		79,852
	$	313,129	$	247,447

Table of Contents

Cash Flow Information

	Six Months Ended June 30, 2010	2009
Cash paid during the period for:		
Income taxes, net of refunds	$ 42,015	$ 33,033
Interest	41,991	51,761
Non-cash investing and financing activities:		
Conversion of senior subordinated debentures to common stock	$	$ 124,029
Issuance of shares in lieu of cash for executive bonuses		1,078

3. FINANCING

	June 30, 2010	December 31, 2009
Seven-year senior secured term loan due December 2014	$ 701,042	$ 838,295
Six-year senior secured term loan due December 2013	357,536	406,815
3.25% senior subordinated convertible notes due July 2015	287,500	287,500
Other	8,562	11,868
	1,354,640	1,544,478
Less: Current portion	(3,393)	(140,810)
	$ 1,351,247	$ 1,403,668

Senior Secured Credit Facilities

During the six months ended June 30, 2010, the Company made the annual excess cash flow payment for 2009 as required under its senior secured credit facilities (see Note 7 in the Notes to Consolidated Financial Statements in the 2009 Form 10-K), a voluntary prepayment of $50.0 million, mandatory prepayments of $6.5 million reflecting the net proceeds from the sale of assets and scheduled repayments of $2.4 million on its senior secured term loans. In connection with the prepayments, the Company wrote off $0.6 million and $2.1 million in deferred financing fees, which are included in interest expense for the three and six months ended June 30, 2010, respectively.

No portion of the senior secured term loans was reflected as a current portion of long-term debt as of June 30, 2010 related to the excess cash flow payment that will be due in the first quarter of 2011. The amount that may be payable as an excess cash flow payment in 2011 cannot currently be reliably estimated.

As of June 30, 2010, the Company had remaining availability of approximately $366.1 million under the senior secured revolving credit facility, reflecting $33.9 million of letters of credit issued under the revolving credit facility.

As of June 30, 2010, the minimum interest coverage ratio and the maximum consolidated leverage ratio permitted under the senior secured credit facilities were both 3.75 to 1.0. The Company s estimated interest coverage ratio and consolidated leverage ratio as of June 30, 2010 were 5.37 to 1.0 and 2.82 to 1.0, respectively. Management believes the Company was in compliance with all of its covenants under the senior secured credit facilities as of June 30, 2010.

Other Matters

The weighted average effective interest rate on outstanding borrowings under the above debt instruments, including the effect of the interest rate swap (see Note 4) and amortization of deferred financing fees, was 6.27% and 5.83% at June 30, 2010 and December 31, 2009, respectively.

See Note 7 in the Notes to Consolidated Financial Statements in the 2009 Form 10-K for additional information on the terms and conditions of the senior secured credit facilities and the 3.25% senior subordinated convertible notes.

4. DERIVATIVES AND HEDGING ACTIVITIES

The Company is exposed to a variety of risks related to its ongoing business operations. The primary risks that are addressed by using derivative instruments are interest rate risk and foreign currency exchange rate risk. The Company holds an interest rate swap to manage the variability of forecasted interest payments attributable to changes in interest rates on a portion of the term loans issued under the senior secured credit facilities. The interest rate swap agreement was designated as a cash flow hedge at inception and such designation was substantially effective at June 30, 2010 and is expected to continue to be effective for the duration of the swap agreement, resulting in no material hedge ineffectiveness.

Prior to the agreement s expiration in December 2009, the Company used a cross currency swap, which was designated as a fair value hedge, to hedge against fluctuations in the fair value of certain of the Company s euro-denominated assets.

The Company also uses derivative instruments such as forward contracts to reduce the risk of certain foreign currency exchange rate fluctuations. These instruments are not held for speculative or trading purposes. These contracts are not designated as hedges for hedge accounting and are marked to market each period through earnings. The balance sheet location and fair value of each of the Company s derivatives are as follows:

		Fair Value of Asset (Liability)	
	Balance Sheet Location	**June 30, 2010**	**December 31, 2009**
Derivative designated as hedging instrument:			
Interest rate swap	Other noncurrent liabilities	$ (30,811)	$ (42,909)
Derivatives not designated as hedging instruments:			
Foreign currency contracts	Prepaid expenses and other current assets	122	133
Foreign currency contracts	Other accrued liabilities	(5)	(248)
Total derivatives not designated as hedging instruments		117	(115)
Total derivatives		$ (30,694)	$ (43,024)

The pretax impact of the interest rate swap on the Condensed Consolidated Financial Statements for the three and six months ended June 30, 2010 and 2009 is as follows:

Interest Rate Swap Designated as Cash Flow Hedge	**Gain (Loss) Recognized in OCI (Effective Portion)**	**Location of Gain (Loss) Recognized in Net Income (Loss) (Effective and Ineffective Portions)**	**Gain (Loss) Reclassified from Accumulated OCI to Net Income (Loss) (Effective Portion)**	**Gain (Loss) Recognized in Net Income (Loss) (Ineffective Portion)**
Three months ended June 30, 2010	$ (1,730)	Interest expense	$ (9,568)	$ 74
Three months ended June 30, 2009	835	Interest expense	(9,554)	175
Six months ended June 30, 2010	(7,077)	Interest expense	(19,213)	(38)
Six months ended June 30, 2009	(2,010)	Interest expense	(18,228)	332

Any gain (loss) on the cross currency swap was offset by the (loss) gain on the euro-denominated assets hedged by the swap. The following table summarizes the pretax impact of the cross currency swap on the Condensed Consolidated Statement of Operations for the three months ended June 30, 2009.

Cross Currency Swap Designated as Fair Value Hedge	**Location of Gain (Loss)**

		Gain (Loss) Recognized in Net Loss
Three months ended June 30, 2009	Other income (expense), net	$ (619)
Six months ended June 30, 2009	Other income (expense), net	(174)

Table of Contents

The pretax impact of the foreign currency forward contracts not designated as hedging instruments on the Condensed Consolidated Statements of Operations for the three months ended June 30, 2010 and 2009 is as follows:

Foreign Currency Forward Contracts Not Designated as Hedging Instruments	Location of Gain (Loss)	Gain (Loss) Recognized in Net Loss
Three months ended June 30, 2010	Other income (expense), net	$ (61)
Three months ended June 30, 2009	Other income (expense), net	(218)
Six months ended June 30, 2010	Other income (expense), net	(140)
Six months ended June 30, 2009	Other income (expense), net	(3,771)

Activity in the accumulated net loss on derivative instruments included in accumulated other comprehensive income (loss) consisted of the following:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Accumulated net loss on derivative instruments, beginning of period	$ (29,991)	$ (46,465)	$ (32,699)	$ (50,137)
Gain on interest rate swap designated as a cash flow hedge, net of taxes	4,938	6,545	7,646	10,217
Accumulated net loss on derivative instruments, end of period	$ (25,053)	$ (39,920)	$ (25,053)	$ (39,920)

During the three months ended June 30, 2010 and 2009, the income tax expense related to the gain on the derivative financial instruments reported within other comprehensive income (loss) was $2,900 and $3,844, respectively. During the six months ended June 30, 2010 and 2009, the income tax expense related to the gain on the derivative financial instruments reported within other comprehensive income (loss) was $4,490 and $6,000, respectively.

5. FAIR VALUE MEASUREMENTS

Fair value measurements using quoted prices in active markets for identical assets and liabilities fall within Level 1 of the fair value hierarchy, measurements using significant other observable inputs fall within Level 2, and measurements using significant unobservable inputs fall within Level 3.

The Company s financial instruments consist primarily of cash and cash equivalents, short-term investments, trade receivables, trade payables, debt instruments and an interest rate swap (see Note 4). For cash and cash equivalents, trade receivables and trade payables, the carrying amounts of these financial instruments as of June 30, 2010 and December 31, 2009 were considered representative of their fair values due to their short terms to maturity. The fair values of the Company s short-term investments and 3.25% senior subordinated convertible notes (see Note 3) were based on quoted market prices. The fair values of the Company s senior secured term loans were based on indicative quotes. The fair value of the Company s interest rate swap agreement was based on the net present value of the difference between the expected future fixed rate interest payments and variable rate interest payments.

The carrying amounts, estimated fair values and valuation input levels of the Company s short-term investments, senior secured term loans, convertible debt and interest rate swap as of June 30, 2010 and December 31, 2009, are as follows:

	June 30, 2010		December 31, 2009		
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Valuation Inputs
Assets:					
Held-to-maturity short-term investments	$ 60,107	$ 60,100	$ 40,465	$ 40,400	Level 1

Available for sale short-term investments	39,050	39,050			Level 1
Liabilities:					
Seven-year senior secured term loan	701,042	680,887	838,295	820,481	Level 2
Six-year senior secured term loan	357,536	347,704	406,815	394,611	Level 2
3.25% senior subordinated convertible notes	287,500	312,110	287,500	342,125	Level 1
Interest rate swap	30,811	30,811	42,909	42,909	Level 2

As a result of restructuring actions announced during the six months ended June 30, 2010, the Company determined that the carrying value of certain property in Omaha, Nebraska was no longer recoverable. The carrying value of this property was reduced to its estimated fair value of $13.7 million, which was based upon a market approach that considered the selling prices of comparable properties (Level 3 valuation inputs).

Table of Contents

The fair value estimates presented above are based on pertinent information available to management as of June 30, 2010 and December 31, 2009. Although management is not aware of any factors that would significantly affect these fair value estimates, such amounts have not been comprehensively revalued for purposes of these financial statements since those dates, and current estimates of fair value may differ significantly from the amounts presented.

6. SEGMENTS

The Company s four reportable segments, which align with the manner in which the business is managed, are as follows: Antenna, Cable and Cabinets Group (ACCG); Enterprise; Broadband; and Wireless Network Solutions (WNS).

The ACCG segment includes product offerings of primarily passive transmission devices for the wireless infrastructure market including base station antennas, coaxial cable and connectors and microwave antennas as well as secure environmental enclosures for electronic devices and equipment used by wireline and wireless providers.

The Enterprise segment consists mainly of structured cabling systems for business enterprise applications and connectivity solutions for wired and wireless networks within organizations. The segment also includes coaxial cable for various video and data applications that are not related to cable television.

The Broadband segment consists mainly of coaxial cable, fiber optic cable and conduit for cable television system operators. These products support multi-channel video, voice and high-speed data services for residential and commercial customers using hybrid fiber coaxial architecture.

The WNS segment consists of base station subsystems and core network products, such as power amplifiers, filters, location-based systems, network optimization analysis systems and products and solutions that extend and enhance the coverage of wireless networks, such as radio frequency (RF) repeaters and distributed antenna systems. Base station subsystems and RF products cover all of the major wireless standards and frequency bands and are sold individually or as part of integrated systems.

The following tables provide summary financial information by segment (in millions):

	June 30, 2010	December 31, 2009
Identifiable segment-related assets:		
ACCG	$ 1,843.5	$ 1,906.0
Enterprise	361.1	312.9
Broadband	351.3	334.2
WNS	615.1	617.7
Total identifiable segment-related assets	3,171.0	3,170.8
Reconciliation to total assets:		
Cash, cash equivalents and short-term investments	577.3	702.9
Deferred income tax asset	102.7	67.6
Total assets	$ 3,851.0	$ 3,941.3

The following table presents the allocation of goodwill to reportable segments (in millions):

	June 30, 2010	December 31, 2009
Goodwill:		

ACCG	$	706.7	$	706.7
Enterprise		20.9		20.9
Broadband		133.6		133.6
WNS		133.8		133.8
Total goodwill	$	995.0	$	995.0

13

Table of Contents

The following table provides net sales and operating income (loss) by segment (in millions):

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Net sales:				
ACCG	$ 309.5	$ 322.2	$ 568.1	$ 648.1
Enterprise	220.7	164.3	418.6	308.3
Broadband	128.6	118.2	239.6	232.4
WNS	181.3	179.7	337.1	338.7
Inter-segment eliminations	(2.0)	(0.7)	(3.7)	(1.5)
Consolidated net sales	$ 838.1	$ 783.7	$ 1,559.7	$ 1,526.0
Operating income (loss):				
ACCG	$ 17.2	$ 14.6	$ (23.1)	$ 1.2
Enterprise	36.8	27.8	54.9	35.3
Broadband	10.7	27.9	24.0	36.5
WNS	16.7	3.8	19.4	10.2
Consolidated operating income	$ 81.4	$ 74.1	$ 75.2	$ 83.2

During the three months ended June 30, 2010, the Company received $8.6 million as a result of an arbitrator s final award regarding claims made by the Company against EMS Technologies, Inc. (EMS) related to warranty claims arising from a business Andrew LLC had acquired from EMS. The award was recorded as a reduction of cost of sales in the ACCG segment.

7. RESTRUCTURING COSTS

In early 2010, the Company initiated new restructuring actions (the 2010 Restructuring Initiatives). The objectives of the 2010 Restructuring Initiatives are to realign and lower the Company s cost structure and improve capacity utilization. To achieve these objectives, the Company announced the closure of manufacturing facilities in Omaha, Nebraska and Newton, North Carolina, among other actions. Much of the production capacity from these facilities will be shifted to other existing facilities or contract manufacturers. These actions primarily affect the ACCG and Enterprise segments. During 2009 and 2008, the Company implemented restructuring actions to complete acquisition-related integration efforts and to lower the combined manufacturing, selling and administrative cost structure of the Company (the 2008 Integration Initiatives). During the three and six months ended June 30, 2010 and 2009, the Company s pretax restructuring charges, by segment, related to both initiatives were as follows:

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
ACCG	$ 1,515	$ 4,892	$ 33,025	$ 6,452
Enterprise	(69)	1,255	15,675	2,477
Broadband	565	316	533	4,094
WNS	1,561	1,654	2,191	3,797
Total	$ 3,572	$ 8,117	$ 51,424	$ 16,820

Table of Contents

2010 Restructuring Initiatives

During the three months ended June 30, 2010, the Company incurred $3.6 million in employee-related costs associated with the 2010 Restructuring Initiatives. During the first half of 2010, the Company incurred $42.6 million and $8.9 million in employee-related costs and asset impairments, respectively, associated with the 2010 Restructuring Initiatives. The activity within the liability established for these restructuring actions, which is included in other accrued liabilities, was as follows:

	Employee-Related Costs	Asset Impairments	Equipment Relocation Costs	Total
Balance as of March 31, 2010	$ 31,059	$	$	$ 31,059
Additional charge recorded	3,563		3	3,566
Cash paid	(2,173)		(3)	(2,176)
Foreign exchange and other non-cash items	1,274			1,274
Balance as of June 30, 2010	$ 33,723	$	$	$ 33,723